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Adoption of the agenda and other organizational matters

Note by the Bureau of the Statistical Commission on follow-up by the Bureau of decisions taken by the Commission at its thirty-sixth session

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Statistical Commission, for information, the note by the Bureau of the Commission on follow-up actions taken by the Bureau since the thirty-sixth session of the Commission. These actions were taken at the specific request of the Commission and are in line with the position voiced by several Commission members that the Bureau should play an active role in the intersession period. This note covers actions related to the review of the Commission's working methods, and the approval of various expert group mechanisms, as well as the finalization of the Commission's agenda.

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Note by the Bureau of the Statistical Commission on follow-up by the Bureau of decisions taken by the Commission at its thirty-sixth session

I. Review of the Commission's working methods

1. The Economic and Social Council, in its resolution 2003/6 of 16 July 2003, had requested each functional commission to examine its methods of work in order to better pursue the implementation of the outcomes of the major United Nations conferences and summits.

2. At its thirty-fifth session in 2004, the Commission had asked its Bureau to conduct such an examination, with the assistance of the United Nations Statistics Division, and to report back to the Commission.[1] The Bureau presented its report on the review of the Commission's working methods (E/CN.3/2005/2) to the Commission at its thirty-sixth session in 2005. The Commission took note of the suggestions made by the Bureau and agreed to implement some procedures on a trial basis for the thirty-sixth session. The Commission also suggested that the Bureau further analyse the experiences and take them into account in the preparation of the thirty-seventh session.[2]

3. The Chair of the Commission took the initiative of following up on the review and in March 2005, invited all country delegations that had participated in the thirty-sixth session to transmit their comments on the impact of the newly adopted measures. A total of 23 replies were received from chief statisticians, the main conclusions of which will be summarized below.

A. Limiting time for statements

4. All respondents agreed to limit introductory statements for agenda items to a maximum of five minutes. Furthermore, they supported the suggestion by the Chair that once an item had been introduced, a list of speakers should be established. If the list of registered speakers grew long in relation to the remaining time available for the agenda item, the Chair should impose time limits on floor interventions, and preference ought to be given to country representatives.

B. Distinguishing between documents "for discussion" and "for information"

5. All delegates, except one who did not comment, supported the idea of making a distinction between documents "for discussion" and "for information", whereby information items would not be introduced, and the Commission would be expected to take note of the information documents without further debate unless interventions were requested by one or more members.

C. Summarizing the key conclusions after the debate of each agenda item

6. All respondents, except one (who had no comment), agreed that the Chair, assisted by the United Nations Statistics Division, should summarize the key conclusions after the debate on each agenda item. This summary will form the basis for the session report. One country representative suggested that daily session reports be prepared. The overall objective remains to adopt the report on the last day of each session.

D. Briefing for new Commission participants

7. In order to enable new delegates to fully and effectively participate in the proceedings of the session, the Chair with the support of the Secretariat had organized in 2005 a special briefing for new Commission members. The delegates expressed their support for this initiative and encouraged the Statistics Division to continue organizing such briefings for new Commission participants on the Monday before the start of the session.

E. Coordination of group positions to take place during the time of the regular session

8. Nineteen of the respondents supported the suggestion that the Chair should not allow for the coordination of group positions to take place during the time of the regular session. Three Commission members expressed caution in applying such a rule too strictly, pointing out that the formulation and presentation of group positions might, in fact, be time-efficient under certain circumstances.

II. Issues reviewed and approved by the Bureau of the Commission

A. Creation of a United Nations Committee of Experts on Environmental-Economic Accounting

9. The Statistical Commission at its thirty-sixth session in March 2005 endorsed the creation of a United Nations Committee of Experts on Environmental-Economic Accounting and requested that the terms of reference of the Committee be prepared and submitted to the Bureau of the Commission for approval, taking into consideration the terms of reference of the London Group on Environmental Accounting and the Intersecretariat Working Group on Environment Statistics, so as to avoid overlap and ensure close collaboration mechanisms among the three main groups.[3] The Preliminary Meeting of the United Nations Committee of Experts on Environmental-Economic Accounting, which was held at United Nations Headquarters in New York from 29 to 31 August 2005, agreed on proposed terms of reference for the Committee, formulated the Committee's long-term objectives, developed its programme of work, and agreed on its governance structure. The Bureau of the Commission approved the terms of references of the United Nations Committee on 18 November 2005 (see also document E/CN.3/2006/9).

B. Energy statistics

10. On 3 August 2005, the Bureau approved the formation of (a) a city group on energy statistics; and (b) an Intersecretariat Working Group on Energy Statistics after reviewing its proposed terms of reference. The recommendation to form these two mechanisms was made by an ad hoc expert group meeting that had been convened in New York from 23 to 25 May 2005 by the Statistics Division at the request of the Commission. The Commission had given the Bureau the mandate to take forward the recommendations of the ad hoc expert working group and to ensure that the implementation of concrete measures began before the next session of the Commission[4] (see also document E/CN.3/2006/10).

C. Issues related to the manner in which national data are used by international organizations

11. At the thirty-sixth session of the Commission, South Africa had presented a background note raising concerns about the manner in which specific national data had been used by international organizations. Subsequently, the Secretariat prepared a brief analytical note reviewing the specific cases mentioned in the background note and providing explanations for the discrepancies between national and international data (in one instance, for example, recent national data had not been taken into account at the international level). The analytical note was sent for information to South Africa and to the Bureau, both of which found satisfactory the specific explanations provided. Nonetheless, the Bureau confirmed the course of action already recommended by the Commission,[5] namely, to refer the general issue of use of country data by international organizations to the Committee for the Coordination of Statistical Activities for further consideration (see also documents E/CN.3/2006/13 and E/CN.3/2006/30).

D. Group of Friends of the Chair on development indicators

12. In 2005, the Statistical Commission had agreed to form a group of Friends of the Chair on development indicators.[6] After a round of consultations, a list of experts[7] who had indicated to the Chairperson their interest in, and preparedness for, being member of the group was drawn up by the Statistics Division for review by the Bureau. In accordance with the decision of the Commission, the members of the Bureau approved the composition and the terms of reference for the Friends of the Chair on 20 July 2005 (see also documents E/CN.3/2006/14 and E/CN.3/2006/15).

III. Approval of the provisional agenda for the thirty-seventh session of the Commission in 2006

13. The Economic and Social Council, in its decision 2005/244 of 22 July 2005, approved the provisional agenda and documentation for the thirty-seventh session of the Commission as recommended by the Commission at its thirty-sixth session. On 7 October 2005, the Bureau of the Commission, in line with its mandate, approved a number of revisions thereto, based on an assessment of the continued relevance of certain agenda items. The Bureau also approved the distinction between discussion

and information items, based primarily on an evaluation of the proposed documentation. If it was anticipated that a document would invite executive action by the Commission, the corresponding agenda item would be classified for discussion. In this context, also, a new overall structure of the agenda was approved, by which all agenda items for discussion would be grouped at the beginning of the session. Under the overall guidance of the Bureau, the website for the thirty-seventh session of the Statistical Commission was opened on 11 November 2005 with the posting of the revised annotated agenda (available from http://unstats.un.org/unsd/statcom/doc06/2006-1e-Agenda.pdf) as the first document.

Notes

[1] See *Official Records of the Economic and Social Council, 2004, Supplement No. 4* (E/2004/24), chap. V, para. 15 (b).

[2] Ibid., *2005, Supplement No. 4* (E.2005/24), chap. II, para. 5 (a).

[3] Ibid., chap. V, para. 7 (a).

[4] Ibid., chap III, para. 7 (k).

[5] Ibid., chap. VI, para. 37 (b).

[6] Ibid., para. 13 (g).

[7] Australia: Dennis Trewin; Canada: Ivan P. Fellegi; Chile: Maximo Aguilera Reyes; Cuba: Rodolfo Roque; Finland: Heli Jeskanen-Sundstrom; Ghana: Grace Bediako; Iceland: Hallgrimur Snorrason; Italy: Luigy Biggieri; Jamaica: Sonia Jackson; Mexico: Gilberto Calvillo Vives; Russian Federation: Vladimir Sokolin; South Africa: Pali Lehohla; Thailand: Sue Lo-Utai; United States of America: Katherine Wallman.

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Statistical Commission
Thirty-seventh session
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Item 3 (a) of the provisional agenda*
Items for discussion and decision: programme review: industrial statistics

Report of the programme reviewer on industrial statistics

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Statistical Commission the report of the Director-General for Policy Planning (Statistical Standards) of the Ministry of Internal Affairs and Communications of Japan on industrial statistics in accordance with a request by the Statistical Commission at its thirty-sixth session.[a] The Commission is requested to review the work undertaken in industrial statistics and consider the conclusions and recommendations that are summarized in paragraphs 40 to 45 below.

* E/CN.3/2006/1.
[a] *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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Report of the Director-General for Policy Planning (Statistical Standards) of the Ministry of Internal Affairs and Communications of Japan on industrial statistics

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Acknowledgements: The contributions of the United Nations Statistics Division and the United Nations Industrial Development Organization in preparing the present report are acknowledged. In addition, we express our sincere appreciation to the Organization for Economic Cooperation and Development, Eurostat, the United Nations Economic and Social Commission for Asia and the Pacific, and the national statistical offices of Australia, Canada, Croatia, Denmark, France, Germany, Hungary, the Islamic Republic of Iran, Kenya, the Republic of Korea, New Zealand, Spain, Ukraine, the United Kingdom of Great Britain and Northern Ireland and the United States of America for providing detailed responses to our questionnaire on their practices in the area of industrial statistics.

I. Introduction

1. International recommendations on industrial statistics have been formulated by the United Nations and its international and regional partners for the purpose of establishing uniform measurements of industrial structure and change. These recommendations have resulted in useful guidelines for countries undertaking statistical inquiries and establishing a system for industrial statistics.

2. However, in recognition of the need to adequately measure the recent major shifts in national and international industrial structures of production and consumption, a programme review[1] of industrial statistics was requested by the Statistical Commission at its thirty-sixth session, in 2005.

3. The purpose of this review is (a) to examine the current situation and practices in industrial statistics; (b) to identify the issues and challenges faced by the international industrial statistical system; and (c) to formulate recommendations to improve the current coordination, data collection and dissemination practices for industrial statistics while ensuring international comparability and policy relevance.

4. The present programme review report on industrial statistics has been structured as follows. The current situation and practices are described in section II, issues and challenges in section III and responses to the challenges and progress made in section IV. Recommendations are presented in section V.

II. Current situation and practices in international industrial statistics

A. Major players and their mandates

5. The national statistical offices responsible for industrial statistics look for advice and guidance from the Statistical Commission for the development and organization of their statistical system.

6. The major international organizations operating in the area of industrial statistics are the Statistics Division of the Secretariat, the United Nations Industrial Development Organization (UNIDO), the Organization for Economic Cooperation and Development (OECD) and Eurostat. These organizations have three main functions: (a) data collection and dissemination; (b) the development of methodological standards; and (c) training and capacity-building.

B. Activities

1. Data collection and dissemination

Data collection activities

7. The Statistics Division collects index numbers of industrial production for mining and quarrying, manufacturing and electricity, gas and water industries, including quarterly data at the 2-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.3, and monthly data at the 1-digit level of ISIC, Rev.3. In addition, the Division annually collects industrial

commodity production statistics, including physical production data for 530 goods and monthly physical production data for 10 goods.

8. UNIDO has assumed responsibility for the collection of annual general industrial statistics pertaining to the mining, manufacturing and electricity, gas and water industries at the 3- and 4-digit levels of ISIC. For this purpose, UNIDO collects this annual data directly from approximately 150 countries not members of OECD, while it receives data for OECD member countries through OECD to avoid duplication of efforts. Countries are requested to report relevant data in accordance with ISIC, Rev.3, or, alternatively, with ISIC, Rev.2. The annual general industrial statistics cover the following data items: number of establishments/enterprises; number of persons engaged; number of employees by gender; wages and salaries paid to employees; output; value added; and gross fixed capital formation.

9. Following the recommendations of the Commission at its twenty-seventh session, in 1993, the international responsibility for the collection and dissemination of general industrial statistics was transferred from the Statistics Division to UNIDO and OECD in 1994. Moreover, an inter-agency agreement has been drawn up between Eurostat and OECD, whereby OECD collects data directly from countries not members of the European Union and Eurostat collects business statistics for EU countries.

Data dissemination activities

10. Quarterly and monthly index numbers of industrial production are disseminated through the *Monthly Bulletin of Statistics* with a time lag of about one quarter, while the annual index numbers of industrial production are published annually in the United Nations *Statistical Yearbook* with a time lag of one year. Annual industrial commodity production statistics are disseminated through the *Industrial Commodity Statistics Yearbook* with a time lag of about two years, while the monthly commodity production statistics are disseminated though the *Monthly Bulletin of Statistics* with a time lag of a quarter. Statistics Division publications are available in print and on CD-ROM, as is the case for commodity production statistics, or in print and online, as is the case for all statistics related to the *Monthly Bulletin of Statistics*, such as monthly commodity production statistics and monthly and quarterly index numbers of industrial production.

11. UNIDO disseminates general industrial statistics on manufacturing through its annual hard-copy publication, *The International Yearbook of Industrial Statistics*, and CD-ROM versions of the UNIDO industrial statistics database INDSTAT. The time lag between the latest reference year and publication is two years.

12. OECD disseminates the index of industrial production of the member countries through their publications, such as the monthly *Main Economic Indicators*.

2. Development of methodological standards

International recommendations and manuals by the United Nations

13. The United Nations has formulated international guidelines, from time to time, with the objective of establishing uniform patterns of measurement of economic activities. In the area of industrial statistics, recommendations were first formulated in 1953 and revised in 1960, 1968 and 1983. These recommendations have proven

to be useful in providing guidance to countries conducting economic enquiries to meet data requirements for national planning and policy purposes.

14. The United Nations publications on industrial statistics, such as *Index Numbers of Industrial Production* and *International Recommendation for Industrial Statistics*, have not been revised since 1950 and 1983, respectively. However, since 2004, the revisions of these manuals became part of the Statistics Division economic statistics programme and their revisions are scheduled to be published in 2008.

Recommendations and manuals by other international organizations

15. Other international organizations have undertaken similar revisions of their recommendations on industrial statistics. Eurostat, for instance, prepared a manual entitled "Methodology of short-term business statistics: interpretation and guidelines", published in 2002. OECD also developed several new manuals, such as "Measuring productivity — OECD manual — Measurement of aggregate and industry-level productivity growth" in 2001 and "OECD handbook on economic globalization indicators" in 2005.

Summary of main recommendations and manuals

16. A summary of the latest recommendations and manuals on industrial statistics that have been published by international organizations is presented in the table below.

Main recommendations and manuals on industrial statistics

Organization	*Recommendations/manuals/handbooks*	*Date of issue*
Statistics Division	Index numbers of industrial production	1950
	International recommendations in basic industrial statistics	1960
	International recommendations for industrial statistics	1983
	List of selected products and materials	2005
	Recommendations for the 1983 World Programme of Industrial Statistics	1981
	Strategies for measuring industrial structure and growth	1994
Eurostat	Methodology of short-term business statistics: interpretation and guidelines	2002
OECD	Measuring productivity — OECD manual — Measurement of aggregate and industry-level productivity growth	2001
	Measuring capital: measurement of capital stocks, consumption of fixed capital and capital services	2001
	Measuring the non-observed economy — a handbook	2002
	OECD handbook on economic globalization indicators	2005
	A framework for biotechnology statistics	2005

3. Training and capacity-building

17. The Statistics Division does not provide any training or technical assistance in countries. In contrast, UNIDO implements three or four technical cooperation projects in a typical year in developing countries and countries with economies in transition. These projects assist national statistical offices in strengthening institutional capacities in industrial statistics such as the implementation of annual establishment surveys covering aspects of business registers, sampling, survey design, data editing and processing, statistical analysis and dissemination. The duration of such projects ranges from one to two years. Moreover, United Nations regional commissions, such as the Economic and Social Commission for Asia and the Pacific, conduct workshops related to industrial statistics.

18. Eurostat organizes special training courses in structural business statistics and business registers when requested by member countries. The organization also undertakes several programmes supporting new member States, European Union candidate countries and western Balkan and former Soviet Union countries and technical support programmes in other countries.

III. Issues and challenges in international industrial statistics

19. Various issues and challenges have been identified that affect the availability of timely and internationally comparable statistics on industrial structure and change. The following categories have been identified and presented in this section: (a) data collection activities; (b) data dissemination activities; and (c) the harmonization of international recommendations.

A. Data collection activities

20. Data collection activities require considerable financial and human resources. However, many countries lack the resource base necessary to conduct regular industrial enquiries on short-term indicators and structural business statistics, which limits the number of countries reporting industrial statistics to international agencies. This critical resource situation is equally applicable to international organizations, which are forced to decide between competing elements of their work programmes.

21. Recently, privacy consciousness has been rapidly rising and there have been related changes in the social environment, even in the business sector. However, current international recommendations and manuals do not include guidelines on how to deal with the decreasing response rate that is due to the increasing number of respondents refusing to be surveyed. It is thus difficult, especially in developed countries, to collect data from respondents in conducting surveys for industrial statistics, which target establishments and enterprises. Collecting data from small-sized and unincorporated enterprises is particularly difficult.

22. The emergence of high-technology industries, national and international outsourcing of production, the rapid appearance, disappearance and changing quality of industrial products, the creation of large, complex multinational conglomerates and the environmental impact of industry, among other issues, have

added to the statistical challenges of data collection and analysis. Again, current manuals and handbooks lack guidelines to address these emerging challenges and issues.

B. Data dissemination activities

23. The international comparability of databases maintained by international organizations is hampered because different revisions/versions and levels of classification are applied. For example, for general industrial statistics, UNIDO collects data at the 4-digit level of ISIC, Rev.3, or the 4-digit level of ISIC, Rev.2. Similarly, different OECD directorates manage different databases at different levels of ISIC, Rev.3.

24. The review has shown that international organizations maintain their own industrial statistics database systems, which are not immediately compatible. Therefore, international organizations should be encouraged to develop common platforms, if not unified database structures, and features enabling users to carry out international analyses and comparisons. For instance, at UNIDO, three databases on industrial statistics in the INDSTAT series are maintained. Likewise, at OECD, the Statistics Directorate maintains its own industrial databases on structural statistics for industry and services and statistics by economic size-class. Moreover, other directorates at OECD also maintain related databases. For example, the Directorate for Science, Technology and Industry maintains databases on structural analysis; activities of foreign affiliates in manufacturing; and foreign affiliates and trade in services.

C. Harmonization of international recommendations

25. The existence of separate recommendations and manuals on the same subject by several international organizations points to the fact that data reported by countries to these organizations may differ in their scope and approach. Therefore, international organizations should be encouraged to develop joint research programmes to harmonize international recommendations.

26. In this context, it should be noted that international, regional and national statistical agencies should be encouraged to prepare and maintain detailed correspondence tables for the various existing and future revisions of classifications of economic activities. These correspondence tables are essential for ensuring compatibility between the different detailed structure levels of ISIC of, among others, the United Nations, the General Industrial Classification of Economic Activities within the European Communities (NACE) of Eurostat, the North American Industry Classification System (NAICS) of the United States of America, Canada and Mexico and the Australian and New Zealand Standard Industrial Classification (ANZSIC).

IV. International responses to challenges and progress made

27. Countries and international organizations are reporting progress in meeting challenges. In this section, the responses to and progress made in meeting challenges are described for (a) data collection and dissemination methods and (b) the harmonization of international recommendations.

A. Data collection and dissemination methods

1. Data collection methods

28. The improved maintenance of business registers and increased use of administrative data go a long way in reducing the response burden, improving the response rate of economic enquiries and minimizing the resources required for data collection. Best practices are increasingly emerging from experiences in countries with advanced statistical systems.

29. Some countries, mainly developed countries make use of the Internet in conducting industrial surveys more efficiently. Efforts are being made to create the conditions needed to extract enterprise data directly from the respondents' internal accounting systems. International organizations have begun the process of extracting data directly from countries' database systems through the Statistical Data and Metadata Exchange (SDMX). OECD, for example, directly downloads the requisite industrial statistics via the Internet from databases maintained by countries.

30. With the globalization of economy, industrial production processes are increasingly being outsourced internationally. Therefore, international methodology must be developed to adequately capture this phenomenon. The Statistics Division and its international partners are addressing economic globalization with regards to the recording of goods sent abroad for processing, merchanting and other issues in the update of the 1993 System of National Accounts (SNA) due to be published in 2008. Meanwhile, OECD has developed indices on globalization, which has led to the publication of the "OECD handbook on economic globalization indicators" in 2005. Furthermore, a Eurostat working group has been created to investigate the feasibility of creating a multinational enterprise group register.

31. Existing standards on industrial statistics have addressed industrial activities in terms of the creation of economic value added. However, the revision of the standards on industrial statistics and economic activities in general should acknowledge the link between the economy and the environment by measuring the impact of the economy on the environment through emissions, depletions and degradations resulting from industrial production processes.

32. National statistical offices are confronted with challenges in incorporating changes in the quality of products when compiling their indexes of industrial production. Theoretical guidance has been provided in the International Monetary Fund Producer Price Index manual, to be published under the aegis of the Intersecretariat Working Group on Price Statistics, and will be further addressed in the OECD handbook on hedonic price indices, to be published in 2006. However,

countries are increasingly looking for practical compilation guidance in order to address this issue while taking best practices into account.

2. Data dissemination methods

33. UNIDO is in the process of shifting its INDSTAT database series and industrial statistics database to a client/server platform. This ongoing exercise, including the improvement of the metadata system, will enable flexible data retrieval. In addition, OECD is consolidating its main databases into a single common structured query language-based data warehouse, OECD.STAT, a project that is expected to be completed in 2006.

34. However, even with these improved database systems, the international comparability of databases will remain limited unless the harmonization of concepts, definitions, classifications and other methodological elements is pursued according to common international standards by the international statistical community.

B. Harmonization of international recommendations

1. Efforts by the United Nations for revising international recommendations

35. The Statistics Division held an expert group meeting on industrial statistics in September 2005, with the objective of reviewing the proposed amendments to current international recommendations for industrial statistics.

36. The expert group meeting endorsed the view that the revision on industrial statistics should be undertaken within a broad economic statistics programme. More specifically, the data collection strategy for industrial statistics should be based on an integrated approach covering, in principle, all economic activities across all class sizes of production units.

37. The Statistics Division, in collaboration with the National Bureau of Statistics of China, organized the International Workshop on Economic Census in Beijing in July 2005. The workshop reviewed the economic census of China conducted in 2002 and provided an opportunity for countries to exchange experiences in several key areas relating to economic census. The workshop also had meaningful discussions about the subject of building an integrated economic statistics programme. The workshop recognized that some countries, such as the United States conduct an economic census periodically while other countries, such as Canada, have developed integrated survey programmes to cover the entire domestic economy annually through business surveys.

2. Efforts by other international organizations for revising international recommendations

38. Eurostat first published the methodological handbook on short-term business statistics in 1997 and revised it in 2002.

39. The Statistical Working Party of the Committee on Industry and Business Environment of OECD was originally created for the development of industry-level statistics and indicators. This function has evolved over time and the Working Party currently focuses on the development of internationally comparable quantitative

analysis in three key areas: productivity, firm performance, and globalization. This focus on analysis has given the Statistics Directorate a more important role relating to small and medium-size enterprises and entrepreneurship statistics. The Statistics Directorate held its first structural business statistics expert meeting in November 2005 to review this expanded mandate.[2] Other statistical groups in OECD are addressing issues related to innovation, the information technology industry and biotechnology.

V. Recommendations

40. **The programme review on industrial statistics has provided a broad overview of the industrial statistical system, highlighting its current practices, progress and challenges. Its recommendations address both the national statistical agencies and international organizations.**

A. Recommendations for national statistical agencies

41. **In order to develop internationally comparable industrial statistics, national statistical agencies need:**

(a) **To eliminate as much as possible the lack of data submitted to international organizations through the development of their own statistical systems;**

(b) **To make an effort to provide their data to international organizations as soon as possible;**

(c) **To work towards providing internationally comparable data that complies with international methodological standards and definitions, such as the international standard industrial classification ISIC, Rev.3, or its upcoming revision, ISIC, Rev.4.**

B. Recommendations for international organizations

1. Data collection standards

42. **In order to measure new phenomena in industrial production, such as emerging industries, outsourcing, changes in quality and the environmental impact of industry, the existing international recommendations on industrial statistics must be revised. While undertaking these revisions of manuals and handbooks, consistency with the 1993 SNA and its forthcoming revision and other international guidelines and manuals should be ensured. Consequently, the Statistics Division, its international partners and member countries should coordinate their efforts:**

(a) **To revise existing United Nations recommendations related to industrial statistics and produce new recommendations or manuals with new methodologies in response to new demands as soon as possible;**

(b) **To study the revision of the recommendations on industrial statistics in order to expand the scope of the recommendations and develop an integrated**

economic statistics programme, on an integrated basis and taking into consideration all economic activities, including services;

(c) To review the international standards and recommendations regarding industrial statistics, including ISIC, at suitable intervals.

2. Data dissemination standards

43. **Significant in-house efforts are made by international agencies in converting existing industrial statistics databases to more user-friendly platforms. However, users of economic statistics would benefit further from the creation of a single portal that provides access to the various international databases. Therefore, it is recommended that international agencies formulate and implement a coordinated work programme on data dissemination with the objective of creating a single portal for economic statistics, including industrial statistics, that provides access to unified international databases.**

3. Training and capacity-building

44. **The present international capacity to provide training and capacity-building in industrial statistics to developing countries is limited and scattered. Therefore, it is recommended that international agencies strengthen their efforts and coordination in rendering technical assistance to developing countries in the area of economic statistics, including industrial statistics.**

4. International coordination

45. **A need has been identified to create a committee with a mandate to coordinate, develop and implement an integrated economic statistics programme that addresses the proposed recommendations. This committee should consist of high-level experts of countries and international organizations.**

Notes

[1] This programme review on industrial statistics focuses on the manufacturing industry although, conventionally, industrial statistics comprise mining and quarrying, manufacturing, gas, water and electricity and construction, as defined by ISIC, Rev.3.1.

[2] Meeting documents are available at http://www.oecd.org/document/0/0,2340,en_2649_34233_35468864_1_1_1_1,00.html.

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Distributive-trade statistics

Report of the Secretary-General

Summary

The present report is submitted to the Statistical Commission in compliance with the request made by the Commission at its thirty-sixth session. The report outlines the strategy of the United Nations Statistics Division to revise international recommendations on distributive-trade statistics, its actions in this direction undertaken in 2005 and a summary of its action plan for the biennium 2006-2007. Points for discussion by the Commission are contained in paragraph 13 of the report.

* E/CN.3/2006/1.

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I. Introduction

1. The United Nations Statistical Commission, at its eighteenth session in 1974, adopted international recommendations on statistics of distributive trades and services (see ST/ESA/STAT/SER.M/57). Since that session, the Commission has not had distributive-trade statistics on its agenda. However, issues relevant to wholesale and retail trade were considered in the context of the Commission's work on service statistics and economic classifications. In 1977, at the request of the Commission, the United Nations Statistics Division published a manual entitled *Organization and Conduct of Distributive-Trade Surveys* (ST/ESA/STAT/SER.F/19). The manual provided some guidance on the compilation of data for the wholesale, retail and service trades.

2. Distributive trade is an important activity that provides employment to a significant segment of the population and contributes greatly to gross domestic product. However, in many national statistical offices, distributive-trade statistics are not sufficiently developed. Moreover, there are concerns regarding comparability of the national data and the need to harmonize relevant methodologies is becoming more and more apparent. In this context, further improvement in the compilation, analysis and dissemination of internationally comparable distributive-trade statistics is recognized by the Statistics Division as one of its immediate priority activities.

II. Strategy of the Statistics Division for updating international recommendations on distributive-trade statistics and the status of its implementation

A. Outline of the strategy of the Statistics Division

3. In 2004, the Statistics Division developed a multi-year strategy for updating international recommendations on distributive-trade statistics. This strategy includes: (a) obtaining an initial assessment of the general situation in the compilation of distributive-trade statistics by conducting an overview of current country practices; (b) establishing an Expert Group on Distributive-Trade Statistics to assist the Division in the updating process; (c) preparing the provisional draft of the revised recommendations and submitting it to the Statistical Commission at its thirty-ninth session in March 2008; (d) preparing a manual on the compilation of distributive-trade statistics by 2008; (e) developing a United Nations database for storing, processing and disseminating distributive-trade statistics, with data compilation and publishing tentatively scheduled for 2007; (f) commencing technical assistance activities for developing countries, including conducting training workshops to build up their capability to compile and disseminate distributive-trade statistics; and (g) reviewing changes in country practices in 2010 and reporting the findings to the Commission at its forty-first session, to be held in March 2011.

B. Results of a survey of country practices

4. In implementing the first component of its strategy, the Statistics Division in 2004 conducted a worldwide survey of country practices. The questionnaire was sent to all national statistical offices. Only 73 countries confirmed that they compiled some distributive-trade statistics. Twelve countries informed the Division that they did not compile such statistics and asked for assistance. Assuming that the share of non-compilers is higher among countries that did not respond, the number of countries that do not compile distributive-trade statistics is deemed to be quite high. The survey and the follow-up clarifications revealed that about 40 per cent of the countries that responded are unable to conduct quarterly/monthly surveys and to compile indices of distributive trade and/or performance indicators. It also came to light that countries frequently use very different definitions of the scope of distributive trade and of compiled variables thus making international comparisons quite difficult. In general, the survey confirmed that distributive-trade statistics definitely need revisiting and careful re-examination.

C. Conclusions of the Expert Group on Distributive-Trade Statistics

5. In 2005, the Statistics Division established the Expert Group on Distributive-Trade Statistics in order to obtain assistance and guidance during the revision of existing United Nations recommendations on distributive-trade statistics. The Expert Group was expected to: (a) provide an assessment of those recommendations in view of the new realities in distributive trade and current country practices in the compilation of the relevant statistics; (b) contribute to drafting the revised recommendations and suggest new approaches in data compilation, including the organization and conduct of distributive-trade surveys; (c) review the provisional draft of the revised/updated international recommendations on distributive-trade statistics; and (d) comment on the outline of the future compilers manual.

6. The first meeting of the Expert Group was held from 22 to 25 August 2005. The purpose of the meeting was to provide an assessment of the United Nations recommendations, provide advice on the areas where updating of the existing recommendations and/or developing of new recommendations is needed; and contribute towards such updating and/or revision. The agenda for the meeting included such items as: (a) scope and classifications; (b) statistical and reporting units; (c) data items and their definitions; (d) data sources and data-collection methods; (e) indices and performance indicators; and (f) distributive-trade statistics and compilation of national accounts. The meeting concluded with a round-table discussion, a formulation of the preliminary conclusions and an outline by the Statistics Division of future activities. The full text of the conclusions is available in the report on the meeting (available from http://unstats.un.org/unsd/Distributive_trade/distributive_trade.htm). A summary of the conclusions is provided below.

7. The experts concluded that there was an apparent need to revise the current international recommendations on distributive-trade statistics in order to reflect new developments in the distributive-trade sector, changing data needs, availability of new data sources, data-collection methods and recent revisions of the international recommendations in other areas of economic statistics. They agreed that the revision should be seen as a part of building an integrated economic statistics programme.

They welcomed the initiative by the Statistics Division to revise international recommendations on distributive-trade statistics and endorsed its programme of work, including its objectives, proposed actions and schedule for the revision process.

8. It was agreed that the scope of distributive-trade statistics should include wholesale trade, retail trade and repair of motor vehicles and motorcycles. Regarding data compilation, the experts agreed that high priority should be given to the identification and collection of data items needed by the distributive-trade industry and by compilers of national accounts. It was recommended that countries should make efforts to compile data at the most detailed level possible. It was stressed that a standard set of data items should be recommended for annual compilation (countries, of course, were to be encouraged to compile any additional data items for their national use). The definitions of data items should be consistent with the definitions already approved by the Statistical Commission in related areas (e.g., the system of national accounts and labour statistics). However, where necessary, those definitions could be adjusted to reflect the peculiarities of distributive trade.

9. As to the issue of data compilation, the experts emphasized the need to maximize the use of information existing in administrative data sources with the aim of reducing costs and the respondents' burden. It was deemed appropriate to consider signing formal agreements with other governmental agencies to ensure access to such sources. At the same time, it was stressed that statisticians should be aware of administrative data-source limitations (e.g., the purpose of data collecting was different, the definitions of variables might not correspond to the statistical recommendations, the scope and quality of data could vary significantly; confidentiality was another issue to be considered). The experts recognized a business register as an indispensable tool for effective data collection and concluded that statisticians dealing with distributive trade should participate actively in the maintenance/creation of such a register. The need to provide more guidelines on how to cover and measure the activities of small units or unincorporated enterprises and how to deal with their high non-response rate was also recognized.

10. Special attention was given to the need to develop a set of recommendations regarding the compilation of indices of distributive trade, such as the index of retail trade and the index of wholesale trade. The experts concluded that the compilation of such indices should be done not only for the total value of turnover, but also for certain agreed breakdowns by commodity groupings and industry in order to respond to industry needs to monitor markets and to better assist compilers of national accounts. A cascading priority of tasks in this area, i.e. giving the highest priority to the compilation of indices of the higher level aggregates, should be applied. In this connection, several approaches to the compilation of data in constant prices (volume measurement) were discussed and the experts agreed that a review of the pros and cons for various deflators should be provided. It was concluded that national statistical offices should cooperate with other national agencies, if necessary, to develop a viable programme for distributive-trade index numbers and volume measurement. The experts advised also that a review of the national methodologies on index numbers and constant price data estimation should be conducted and further efforts to harmonize those methodologies were necessary to improve international comparability.

11. The experts devoted a considerable amount of time to discussion of industry performance indicators, including inventory/sales ratio, sales per space and margin/turnover sales per person employed. It became apparent that there was a significant divergence in country practices in that area. Many countries confirmed that they did not compile such indicators and needed some international guidance to start such a compilation. In that connection, the development of international guidelines on the compilation of industry performance indicators became an important task for future work. The experts agreed, in particular, that a list of such indicators, useful to the distributive-trade industry and for analytical purposes, should be developed and recommended for national and international reporting.

III. Summary of the action plan for the biennium 2006-2007 of the Statistics Division

12. During 2006, the Statistics Division will continue to consult with the Expert Group on Distributive-Trade Statistics and countries on issues relevant to the preparation of the provisional draft recommendations and will draft an outline of the future document. An assessment of data availability will be conducted and the compilation of data from selected countries will commence. In 2007, the Division plans to finalize the provisional draft of the revised recommendations and to submit it to the second meeting of the Expert Group, which will be organized in mid-2007. Moreover, a pilot version of the United Nations distributive-trade statistics database for storage, processing and dissemination of distributive-trade statistics will be developed and its outline will be presented to the Expert Group. Taking into account the decisions of the Expert Group, the Division will finalize and submit the revised draft recommendations to the Statistical Commission. In the second half of 2007, the Division will begin technical assistance activities for developing countries to help build their capability to compile and disseminate distributive-trade statistics.

IV. Points for discussion

13. The Statistical Commission, recognizing the economic importance of distributive trade, acknowledging that the availability and quality of national data on distributive trade needs improvement and expressing concern regarding the international comparability of such data, may wish:

(a) To endorse the activities of the Statistics Division to revise the existing recommendations in this area of statistics and to request that the revised draft recommendations be submitted to the Statistical Commission at its thirty-ninth session (2008) for approval;

(b) To advise the Statistics Division that the draft revised recommendations reflect new developments in commercial practices, new data sources and data compilation arrangements, as well as recent and ongoing revisions in other areas of economic statistics, such as national accounts, classifications and industrial statistics;

(c) To stress that it is essential that the revision of distributive-trade statistics is carried out in full consultation with national statistical offices and is seen as part of building an integrated economic statistics programme;

(d) To support the work of the Statistics Division in building a worldwide database to store and disseminate distributive-trade statistics in order to assist countries in making the most effective use of the compiled data, including measuring the structure and dynamic of their distributive trade on an internationally comparable basis.

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Integrated economic statistics

Report of the Secretary-General

Summary

The present report presents a proposal for the establishment of an integrated programme on economic statistics based on the recommendations of the Expert Group Meeting on Distributive Trade, the Expert Group Meeting on Industrial Statistics and the International Workshop on Economic Census organized by the Statistics Division. The report concludes with points for discussion.

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I. Introduction

1. Over the years, the Statistical Commission has considered the work of many different task forces, city groups and inter-agency working groups engaged in economic statistics.

2. With the prominence of services activities in national economies, services statistics have received increased attention. This interest has led to the international review of conceptual and practical issues in service statistics prepared by the Australian Bureau of Statistics and presented to the Statistical Commission at its thirty-fourth session in 2003.[1] Subsequently, the Organization for Economic Cooperation and Development (OECD) prepared two reports[2] presented to the Commission at its thirty-fifth and thirty-sixth sessions in 2004 and 2005. These reports, which demonstrated that significant methodological contributions have been made by international organizations and statistical groups, also recognized the need for international coordination to ensure that the agreed priorities be addressed within a collective integrated approach. As a result, the Commission requested OECD to take the lead in establishing the Intersecretariat Working Group on Service Statistics.

3. In an effort to broaden the review to statistics of goods producing industries, the Statistical Commission, at its thirty-sixth session, requested that the Ministry of Internal Affairs and Communications of Japan prepare the programme review on industrial statistics for its thirty-seventh session.

4. Commensurate with the balanced approach taken by the Statistical Commission, the Statistics Division organized the Expert Group Meetings on Distributive Trade (New York, August 2005), the Expert Group Meeting on Industrial Statistics (New York, September 2005) and the International Workshop on Economic Census (Beijing, July 2005).[3] The three meetings, which brought together experts in industrial and services statistics, national accounts, price and volume, classifications, business registers and trade from international organizations and from developed and developing countries, allowed for a profound review. The experts provided not only inputs in the review programme on industrial and distributive trade statistics but also discussed the implications of an integrated economic statistics approach on the revision of standards, including: International Recommendations of Statistics of the Distributive Trades and Services (ST/ESA/STAT/Ser.M/57); International Recommendations for Industrial Statistics (ST/ESA/STAT/Ser.M/48/Rev.1); Index Numbers of Industrial Production (ST/STAT/Ser.F/1); and Strategies for Measuring Industrial Structure and Growth (ST/ESA/STAT/Ser.F/65).

5. At the meetings Member States emphasized that an integrated approach to economic statistics by national statistical systems would meet the high demand for timely economic statistics of high quality in a cost effective way. Such an integrated economic statistics programme would encompass both industrial and services statistics and aim at compiling, in the most cost efficient way, basic economic data across sectors, consistent with macroeconomic statistics. This would result in an integrated data system responsive to the need for a wide range of data for a wide range of data users, including policymakers in Governments, industry and the business community. Many countries have already embraced this approach and are

implementing new cost effective and highly integrated collection and estimation programmes.

6. The policy relevance of economic statistics and the need for their harmonization has been stressed by numerous international forums and agencies. The International Labour Organization (ILO), for example, advocates the measurement of employment and income contributions by informal household enterprises in countries with a view to promoting appropriate governmental policies. The decision of the OECD Ministerial Conference on Small and Medium-Sized Enterprises (Istanbul, 2004) to promote the measurement of similar contributions by small and medium-sized enterprises is yet another case in point. These policy demands require conceptual coherence and statistical comparability across goods and services producing activities.

7. The momentum created by the simultaneous revisions of international statistical standards on national accounts, product and economic activity classifications, industrial statistics, industrial production indexes, distributive trade statistics and other services statistics has provided a unique opportunity for the development of an integrated approach to economic statistics. At all three meetings organized by the Statistics Division, Member States recommended that the Division should work with them and with international agencies to use this opportunity to establish a programme that would ensure coordination among the different programmes and activities in the field of economic statistics.

8. At the request of Member States, the Statistics Division has developed a strategic response on an integrated economic statistics approach as a basis for an exchange of views at the thirty-seventh session of the Statistical Commission. The vision of the Division is to establish a collective programme with agreed coordination mechanisms encompassing a broad field of economic statistics, including industrial and services statistics, national accounts and related statistics. The present report summarizes the discussions at the above-mentioned meetings.

II. The integrated economic statistics programme

9. The Statistical Commission has identified the need for the coordination of activities in services statistics on numerous occasions. Until now, these activities have been characterized by several independent, though interrelated, initiatives. Such coordination should be based on an economic statistics programme integrated by a collective research agenda for the various existing statistical groups operating in the area of economic statistics in order to ensure that work converges into a common framework. The results of the statistical research should feed into the revision and implementation of agreed standards on business and trade statistics, international classifications and price and production indexes. This coordinated approach would result in a more efficient use of resources both at the national and the international level.

10. Five components of work for the economic statistics programme are envisaged, including: (a) promotion of an integrated approach to economic statistics; (b) development of concepts; (c) coordination among various statistical groups operating in the field of economic statistics; (d) implementation of the integrated economic statistics programme in countries; and (e) harmonization of data collection activities. These components are discussed in detail below.

A. Promotion of an integrated approach to economic statistics

11. The novelty of the proposed integrated approach to economic statistics would require raising awareness of the need, feasibility and benefits of such an approach. Often, for historical reasons, programme elements of economic statistics, such as high frequency and structural business statistics, are carried out independently and may use conflicting concepts, definitions, coverage of data items and classifications for data collection across economic activities and size classes of enterprises. The proposed programme should play an active role in raising awareness of the advantages of a common but flexible statistical infrastructure in defining units, applying classifications and defining variables to be collected from the units. Such consistency in concepts and methods will enhance comparability of data across different programme elements, more efficient use of resources, integration of multiple surveys and better quality of survey and administrative data. In addition, this approach should redress the data gaps and simultaneously improve the data quality for the compilation of national accounts.

12. The proposed programme should promote the adoption of various international standards on economic statistics, including a quality assessment of their scope and compliance. This will be instrumental in the harmonization of national practices and will result in improved international economic statistics with enhanced comparability.

B. Development of methodology

13. Member States identified the convergence of statistical concepts and practices across economic activities, size classes of enterprises, time and regions, and coherence with the *1993 System of National Accounts* (1993 SNA) as the central elements of the integrated statistical methodology. These elements were referred to as horizontal and vertical integration. Horizontal integration could be considered to be a process view involving the harmonization of collection, processing, compilation and dissemination methods across economic activities, class sizes of enterprises, time and regions. Vertical integration could be considered to be a quality view that strives for conceptual coherence with the *1993 System of National Accounts* and related standards.

14. The revisions of the existing international recommendations on industrial statistics, distributive trade and services statistics and related production indexes, being undertaken by the Statistics Division provide a unique opportunity to move towards an integrated approach to economic statistics. Uniform methodologies, consistent concepts, definitions and classifications as well as integration of time and space references should be adopted. The framework of the *1993 System of National Accounts* should be seen as the umbrella framework ensuring the overall conceptual coherence of economic statistics.

15. The proposed programme aims at promoting the development of a common set of target indicators on economic statistics relevant to all economic activities and size classes of enterprises differentiated by structural and high frequency data. Their definitions, formats and coverage should be in line with the internationally agreed statistical concepts and classifications as well as data collection, processing and dissemination methods.

C. Coordination among various statistical entities operating in the field of economic statistics

16. There are many independent yet interrelated activities carried out in the area of economic statistics. The report of the Australian Bureau of Statistics on services statistics[1] lists a variety of international and regional working groups on services as well as groups whose work is, in part, relevant to services statistics (but still fully relevant to the broader field of economic statistics). The OECD reports[2] give an overview of the activities of these groups. Future reports by OECD will continue to provide information on progress made by these groups.

17. The meetings identified the need for coordinating the activities of these statistical groups not only in the area of services statistics, an activity already undertaken by the OECD. The necessity for coordination extends to the broader context of economic statistics, including industrial and services statistics, as well as national accounts and related statistics. The benefits of coordinating activities in economic statistics are evident and will ultimately result in resource-efficient data collection activities.

18. Building on the reports of the Australian Bureau of Statistics and the Organization for Economic Cooperation and Development, the proposed programme would (a) identify statistical groups working on key elements of economic statistics and analyse their work programmes, (b) determine clear channels of communication with various groups, (c) agree with those groups on a research agenda that will feed into the programme of work of advancing conceptual as well as practical development; and (d) establish a central website, to serve as a knowledge platform and facilitate communication between various groups.

19. Owing to the large number of groups working in this area, the programme will first have to identify a subset of these groups that would be willing to contribute to key elements of the methodology, based on agreed priorities. Candidates for such a "core set" of working groups include: the Voorburg Group on Services Statistics, the International Working Group on Price Indices (The Ottawa Group); the International Roundtable on Business Survey Frames; and the Delhi Group on Informal Sector Statistics.

20. The programme will build on work undertaken by related groups at the regional level, including: the Economic Commission for Europe/OECD/Eurostat Steering Group on Business Registers; the Eurostat Steering Group on Structural Business Statistics; the OECD Short-Term Economic Statistics Expert Group (task force on short-term indicators for services); the OECD Working Party on Indicators for the Information Society; and the OECD National Experts on Science and Technology Indicators.

D. Implementation of an integrated economic statistics programme

21. The revision of existing statistical standards and the introduction of new standards on economic statistics will increase the need for assistance to countries. Requests for assistance will not only cover services statistics but the broader range of economic statistics. To address this increasing request, a set of practical compilation and training manuals should be developed to complement the existing and new statistical standards. When coordinating the development of training

materials, the programme should foster exchanges of best practices and aim to establish a roster of technical assistance providers. Within this component, the programme needs to develop assessment tools to monitor implementation, data quality and comparability.

22. While the efforts of international organizations are important in developing and promoting an integrated economic statistics programme, the implementation of such a programme remains, essentially, a country prerogative. The role of the Statistics Division and other international organizations is to assist national statistical offices in customizing and executing such a programme.

E. Harmonization of data collection activities

23. Historically, data collection activities have been often implemented in an independent and uncoordinated manner. Both the rapidly changing business structures, including the way businesses are organized and operate in the national and global economy, and the ongoing efforts to minimize the costs and response burden dictate the need for re-evaluating and improving survey programmes. These programmes will require the redesign of business survey frames with the objective of integrating the frames into a limited number if not a single business survey programme, the design of which will be based on a central business register, to be systematically updated using data from surveys as well as from administrative records.

24. The rationale behind harmonized data collection includes: (a) using common generic processing techniques and methods for editing the data and making imputations simultaneously for all types of units across different economic activities; (b) storing the data in a centralized database (data warehouse), accessible under strictly defined authorization rules by all departments of a statistical office; (c) making the data available for multi-purpose uses, including increased use for analytical purposes; (d) identifying and eliminating the incoherence in data between the establishment information and enterprise information, or other levels of large complex units; and (e) expanding the use of electronic reporting system and/or automated form processing system.

25. Elements of such a harmonized data collection process include economic census, business registers and administrative data. They are discussed in detail below.

Economic census

26. Economic census is still an important statistical activity in many countries. Its role is (a) to provide a country with comprehensive and detailed information about the structure of its economy; (b) to establish the statistical foundation for continuing economic analysis; and (c) to provide the information needed for constructing/maintaining a country's business register in order to provide a frame for business surveys. The census planning and organization and the subsequent transformation of census's basic data into national accounts aggregates require a long period of careful preparation, skilled staff and considerable financing. Unfortunately, in the circumstances of rapidly changing economic environment, this information quickly becomes outdated.

27. Countries often use infrequent economic censuses as a benchmark enquiry in a combination with surveys of different frequency between the benchmark years. The recent Statistics Division survey[4] on the factors impeding the implementation of the *1993 System of National Accounts* among developing countries has confirmed the pronounced tendency of countries to substitute expensive benchmark surveys by a framework of coordinated annual (and less frequent) business surveys.

28. Recognizing that economic census is a method of data collection that has not only advantages but presents a number of challenges to the statistical authorities, the programme will continue promoting its use as an important source of data and tool for update of survey frames to developing economies in the process of developing a business register as well as to those having a large informal sector.

29. The programme will also place increasing emphasis on the need for integrating the surveys of various frequencies so that the data produced by each survey may supplement those produced by others. The adoption of standards, and thereby consistent definitions, across economic activities will facilitate the integration of surveys.

Business register

30. A business register is a central sampling and weighting frame for all business surveys. The establishment of such a register is essential for the full coordination between surveys that use the same basic information about business units. The programme should promote their establishment in countries where business registers are not in place and provide clear guidance on how to use them in the context of integrated economic statistics programme.

31. In order to assist countries in developing business registers, the Statistics Division plans to conduct an international workshop in 2006 to bring together developed and developing countries. A technical manual on business registers would be developed over time to document key elements of such registers and current best practices.

Administrative data

32. An increasing number of countries are looking into the possibility of using administrative sources more extensively for statistical purposes because of the advantages they offer. Administrative information can be used either directly for production of statistical data or for the verification of already compiled aggregates as well as for filling gaps of data missing in statistical surveys.

33. Promoting the extensive use of administrative information for the purpose of official statistics does not imply that administrative data should replace traditional statistical techniques, but rather that it should be used to supplement and reinforce them. Statistical authorities are encouraged to cooperate with Government agencies to promote efficient data capture to serve both administrative and statistical purposes.

III. Looking ahead

34. Taking into account the recent recommendations of the Statistical Commission in the field of economic statistics and the thrust of the main conclusions of the three meetings organized by the Statistics Division in 2005, the Commission may wish to consider the issue of coordination among the various groups undertaking research in the field of economic statistics. A light coordination mechanism could be put in place. The Division could report back to the Commission at its next session on viable modalities of such a light coordination mechanism, as well as on the work programme on integrated economic statistics.

IV. Points for discussion by the Commission

35. **The Statistical Commission may wish to express its views on:**

(a) **Consideration of the proposed integrated economic statistics programme as a useful and feasible concept for the future development of the field of economic statistics;**

(b) **Exploration of the modalities of a light coordination mechanism among the various groups dealing with economic statistics;**

(c) **Provision of further guidance to the Statistics Division in developing its work programme on integrated economic statistics.**

Notes

[1] E/CN.3/2003/12.

[2] E/CN.3/2004/12 and E/CN.3/2005/5.

[3] The minutes of the Expert Group Meetings on Distributive Trade and on Industrial Statistics and the International Workshop on Economic Census will be posted on the following websites:
http://unstats.un.org/unsd/newsletter/unsd_workshops/distributive_trade.htm
http://unstats.un.org/unsd/industry/meetings/eg2005/ac105-2.asp.
http://unstats.un.org/unsd/newsletter/unsd_workshops/ws_eco_census.htm.

[4] E/CN.3/2005/4.

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Report of the Intersecretariat Working Group on National Accounts

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-sixth session,** the Secretary-General has the honour to transmit to the Commission the report of the Intersecretariat Working Group on National Accounts. The Commission is requested to comment on the overall progress in the updating of the *System of National Accounts, 1993* (1993 SNA).

* E/CN.3/2006/1.

** See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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Report of the Intersecretariat Working Group on National Accounts

Introduction

1. At its thirty-sixth session, the Statistical Commission:[1]

(a) Acknowledged the relevance and timeliness of the study included in the report of the Intersecretariat Working Group on National Accounts (see E/CN.3/2005/4) on the factors that had impeded the implementation of the *System of National Accounts, 1993* (1993 SNA)[2] in many member countries and endorsed the recommendations contained in paragraph 38 thereof;

(b) Recognized the need to support members in improving the infrastructure for basic data collection and promoting the use of administrative data, inter alia, through the provision of manuals on best practices;

(c) Encouraged countries to intensify advocacy and reach out to high-level users and policymakers in order to strengthen their awareness of the importance and usefulness of national accounts and thereby facilitate increased funding for the implementation of the 1993 SNA as well as the budgets of National Statistical Offices or other agencies responsible for national accounts;

(d) Noted that the United Nations Statistics Division would take the lead in devising a strategy to address the impediments to 1993 SNA implementation identified in the above-mentioned study, which should contain a focus on Africa and, in that context, the Commission confirmed the need to improve basic data for national accounts compilation, based on best practices and taking into account the different levels of statistical development;

(e) Took note of the reports of the Intersecretariat Working Group on National Accounts on the updating of the 1993 SNA and concluded that delivering the revision of the *System of National Accounts, 1993* (1993 SNA, Rev.1), according to the agreed timetable, by 2008 would require focus, discipline and significant effort;

(f) Recommended maintaining the existing timetable for the completion of the 1993 SNA, Rev.1, considering the close coordination of the calendars of the revisions of other macroeconomic manuals such as the Balance of Payments Manual, and the financial implications of any postponement of the completion date. Some members urged the Intersecretariat Working Group on National Accounts to consider the prioritization of issues and contingency plans for issues that might turn out to be intractable by applying the decision-making structure embedded in the governance structure while assuring the consistency and integrity of the 1993 SNA, Rev.1;

(g) Commended the United Nations Statistics Division on its informative website on the SNA update which had facilitated the transparency of, and the worldwide involvement of the statistical community in, the updating process.

2. In accord with the recognized need to support member countries' efforts to improve the infrastructure for basic data collection and promote the use of administrative data, the organizations of the Intersecretariat Working Group on National Accounts, in coordination with other international organizations, pursued

work on several manuals on best practices. The United Nations Statistics Division initiated expert group meetings in 2005 to review and update the following international guidelines for basic data collection so as to achieve their harmonization with the *System of National Accounts, 1993* and its ongoing update: *International Recommendations on Statistics of the Distributive Trades and Services*,[3] *International Recommendations for Industrial Statistics*[4] and *Index Numbers of Industrial Production, 1950*.[5] Recommendations by the expert groups will serve as the basis for rewriting these guidelines, which will include descriptions of best practices. The International Monetary Fund (IMF) completed a draft of the *Compilation Guide for Monetary and Financial Statistics*, a companion to the IMF *Monetary and Financial Statistics Manual* (2000),[6] and will hold an expert group meeting for final review, including of issues of consistency with the SNA update, in December 2005. The Intersecretariat Working Group on Price Statistics, having completed work on best-practice manuals for consumer and producer price indices, made progress in drafting a parallel manual on export and import price indices. This manual will further promote the development of a common infrastructure for national accounts and price statistics.

3. The following section provides a progress report on the updating of the 1993 SNA including an overview of the main activities undertaken, the mechanism of global consultations on recommendations, the progress with issues and the management of the update process.

I. Progress report on the updating of the 1993 SNA

A. Meetings of the Advisory Expert Group and other activities

4. The implementation of the work programme on the update of the 1993 SNA has continued in accordance with the timetable adopted for the completion of the 1993 SNA, Rev.1, by 2008. In respect of the most notable events and outcomes of activities, it may be noted that:

(a) The third meeting of the Advisory Expert Group on National Accounts (AEG) was held in Bangkok from 18 to 22 July 2005. It made recommendations on 25 issues and conducted preliminary reviews of several topics that will be considered in the next meeting. More information on the progress with respect to issues is included in section C below;

(b) A fourth meeting of the Advisory Expert Group, to be hosted by the European Central Bank, is being organized in Frankfurt, Germany, from 30 January to 8 February 2006 to deliberate on all remaining issues. Information about the outcome of the meeting will be available to the Commission in a room document;

(c) Advisory Expert Group members have been involved continuously in making recommendations and advising the Intersecretariat Working Group on National Accounts on SNA update-related issues. This required their active participation in reviewing and developing proposals on issues even between meetings;

(d) Regional workshops on the 1993 SNA update were held for the Asia-Pacific region in April 2005, for Latin America and the Caribbean in October 2005 and for Africa in November 2005. The joint Organization for Economic Cooperation

and Development (OECD)/Economic Commission for Europe (ECE) meeting of national accountants in October 2005 focused on SNA updating issues. These meetings generated useful comments and feedback from participating national accountants that will facilitate the reaching of a consensus on open issues;

(c) As a result of considerable efforts on the part of the Intersecretariat Working Group on National Accounts and all other actors in the update process, the resolution of the 44 agreed issues is proceeding according to schedule. To help achieve this, the Intersecretariat Working Group introduced procedures for conducting online discussions among Advisory Expert Group members. This approach made it possible to expedite the development of recommendations, relieved the considerable burden imposed by physical meetings and contributed to the keeping to set deadlines.

B. Global consultation and transparency of the process

5. Recommendations of the Advisory Expert Group on the issues have been sent out to all national statistical offices and central banks for global consultation in a transparent way, as requested by the Statistical Commission. Those Advisory Expert Group recommendations and supporting issue papers have also been posted on the 1993 SNA update website maintained by the United Nations Statistics Division (http://unstats.un.org/unsd/nationalaccount/snarev1.asp). The website has been continuously updated and enhanced to support online discussions and commenting by countries' statistical agencies and experts. Countries have been repeatedly contacted to invite comments within a 60-day response period so as to allow for the taking into consideration of the views of as many countries as possible. The responses received from official agencies as well as the comments contributed by individual experts have been posted on the 1993 SNA update website. Overall, comments by over 80 respondents were submitted on recommendations made by the Advisory Expert Group in its various deliberations.

6. In addition to using global consultations for outreach and involvement of the statistical community, Intersecretariat Working Group members, the project manager and editor actively disseminated information on the update through presentations at conferences and seminars. New developments were published in every issue of the periodical *SNA News and Notes*.

C. Progress with respect to issues

7. The close coordination of the update of the 1993 SNA with that of the Balance of Payments Manual and the Government Financial Statistics Manual has been ensured through careful planning and a number of measures. National accountants from Intersecretariat Working Group institutions took part in the meetings of the IMF Committee on Balance of Payments Statistics and the Task Force on Harmonization of Public Sector Accounting held in 2005. All relevant issue papers and reports from the meetings of the Committee and the Task Force were forwarded for consideration by the Advisory Expert Group. Representatives from the Committee and the Task Force participated and gave briefings on proposed changes at Advisory Expert Group meetings.

8. A similar mechanism has been in place to build on the results of the discussions held by the Canberra II Group on Non-Financial Assets at its meetings in Canberra in March/April 2005 and Geneva in September 2005. It provided for full consideration of proposals on several SNA update-related issues, especially those related to non-financial assets.

9. At its third meeting in July 2005, the Advisory Expert Group made recommendations on a number of issues under consideration for the update, as listed in paragraph 10 below. Among those were nine issues that had been discussed prior to the meeting by the Advisory Expert Group using an online web-based forum ("e-discussions"). The report of the meeting, available on the SNA update website, provides detailed descriptions of the new recommendations.

10. Several of the recommendations made in the July 2005 Advisory Expert Group meeting were on balance-of-payments issues, focusing on strengthening the ability of the SNA to capture key features of globalization and ensuring harmony with the updated Balance of Payments Manual, namely:

- Migrants' transfers
- Residence of households: non-permanent workers
- Residence of households: ships' crew and patients
- Goods sent abroad for processing
- Multi-territory enterprises
- Granting of guarantees

A number of the recommendations were made on issues concerning non-financial assets, relating to harmonization with the *Handbook of National Accounting: Integrated Environmental and Economic Accounting*, new developments in the economy, and methodological advances. These recommendations encompassed:

- Water as an asset
- Land improvements and structures
- Originals and copies
- Databases
- Research and development
- Obsolescence and depreciation
- Purchased goodwill and marketing assets
- Cost of capital services
- Government and other non-market producers: cost of capital of own assets

Recommendations were also made on several issues concerning financial instruments, relating to new developments in financial markets and instruments, namely:

- Non-performing loans
- Distinction between loans and deposits

– Traded loans (borderline between securities and other financial instruments)

– Interest on index-linked debt instruments

– Debt instruments linked to a foreign currency

– Fees on securities lending and reversible gold transactions

– Reverse transactions

Other recommendations were on issues affecting government, including considerations that arose in preparing the Government Financial Statistics Manual, namely:

– Public/private/government sectors delineation

– Taxes, revenues, uncollectible taxes and tax credits

11. The process of developing and refining recommendations on the issues has involved close interactions between the task forces and the Advisory Expert Group and thus has led to full and careful consideration of the issues. Preliminary task force views on key issues had been forwarded for discussion by the Advisory Expert Group for the purpose of obtaining early feedback, in order to enhance the prospects for a successful outcome when a paper was submitted for the consideration of the Advisory Expert Group at a later date. When presented to the Advisory Expert Group for review and recommendation, some issues are not completely resolved and require follow-up action (for example, consideration of links with other issues). So far, the Advisory Expert Group has completed or nearly completed consideration of about three quarters of the SNA update issues. The remaining issues, along with those requiring follow-up, will be considered at the upcoming Advisory Expert Group meeting.

12. Considering the progress to date in preparing issues for discussion at the last issues-oriented Advisory Expert Group meeting, to be held in Frankfurt, it is expected that the work of reviewing and recommending treatment of the 44 issues will meet the time schedule as outlined in the work programme.

13. A call for suggestions to improve the clarity of the SNA has been sent out and contributions are being collected until December 2005. These proposals are processed by the editor in consultation with the Intersecretariat Working Group on National Accounts. This is considered an important initiative for increasing the user-friendliness of the SNA, which should have a positive effect on the future implementation of the 1993 SNA, Rev.1.

14. With the issues-oriented phase coming to a conclusion, attention is now turning to the task of transforming the body of recommendations into the 1993 SNA, Rev.1. The Advisory Expert Group meeting in January-February 2006 will discuss plans for the drafting and review phase; and the outcome of the discussion will be available to the Commission in a room document. In accordance with the work programme, and resources permitting, two further Advisory Expert Group meetings will be held in 2007 to address the overall consistency of recommendations and the integrity of the system as embodied in the draft of the 1993 SNA, Rev.1. Countries will be consulted on the final recommendations and on the drafts of chapters of Rev.1. The Statistical Commission will be requested to review the full set of recommendations for the SNA update in March 2007 and the final draft of the 1993 SNA, Rev.1, in March 2008. The Intersecretariat Working Group on National

Accounts will work on a plan for implementing the updated SNA in parallel with the work on the draft.

D. Management of the update process

15. The established governance structure has functioned well. The Intersecretariat Working Group on National Accounts, charged by the Statistical Commission at its thirty-fourth session in March 2003 with the responsibility for coordinating the update of the 1993 SNA,[7] operated at two levels. The National Accountants Group, composed of the five international organizations that make up the Intersecretariat Working Group (the Statistical Office of the European Communities (Eurostat), IMF, OECD, the United Nations Statistics Division and the World Bank), held teleconferences monthly, and participated in developing issue papers and the discussion of issues, and has undertaken the day-to-day tasks associated with organizing the update of the 1993 SNA. Overseeing this group is the Management Group, consisting of the statistical heads of the five organizations, with the role of monitoring and assisting in the progress of the update and taking any actions it sees fit in order to ensure a successful outcome. The project manager oversees the overall coordination work on behalf of the Management Group. The project manager and editor, appointed at the end of 2004, have carried out their functions in close collaboration with the National Accountants Group.

16. Fund-raising to support the update process continues to be a high priority. It will be a focus of activity of the Management Group so as to ensure adequate resources for the final stages of the update process.

II. Points for discussion

17. **The Statistical Commission is requested to comment on the overall progress in the updating of the *System of National Accounts, 1993* (1993 SNA).**

Notes

[1] *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. III, para. 14.

[2] United Nations publication, Sales No. E.94.XVII.4.

[3] Statistical Papers, No. 57 (United Nations publication, Sales No. E.75.XVII.9).

[4] Statistical Papers, No. 48 Rev.1 (United Nations publication, Sales No. E.83.XVII.8).

[5] Studies in Methods, No. 1 (United Nations publication, Sales No. E.50.XVII.4).

[6] Washington, D.C., IMF, 20 October 2000.

[7] *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. III, para. 2 (c).

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International economic and social classifications

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-sixth session.[a] It outlines how the recommendations of the Commission concerning international statistical classifications have been addressed since that session.

Points for discussion by the Commission are contained in paragraph 87.

[a] See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I, sect. B, para. 2.

* E/CN.3/2006/1.

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I. Recommendations on international classifications made by the Statistical Commission at its thirty-sixth session

1. At its thirty-sixth session, held from 1 to 4 March 2005, the Statistical Commission:[1]

(a) Welcomed the report of the Secretary-General on international economic and social classifications and noted its appreciation of the progress documented in that report regarding the 2007 round of classifications revisions;

(b) Also welcomed the expedited efforts of the United Nations Statistics Division to keep the revision of the International Standard Industrial Classification of All Economic Activities (ISIC) on schedule in the period leading up to the next meeting of the Expert Group on International Economic and Social Classifications in June 2005 and thanked the participants in its Technical Subgroup for facilitating that effort;

(c) Noted that the deadlines in the revision processes of the International Standard Industrial Classification and the Central Product Classification (CPC) were highly important for the revision processes of other classifications and urged that efforts be undertaken to also keep the revision of the Central Product Classification on schedule;

(d) Supported the revision work being undertaken on the International Standard Classification of Occupations (ISCO);

(e) Noted with concern that a technical expert group was no longer being convened to assist in the revision process of the International Standard Classification of Occupations and, while noting the alternative mechanism employed by the International Labour Organization (ILO) through the use of the Expert Group on International Economic and Social Classifications, still urged the International Labour Organization to establish such a group.

2. During the discussion of the report of the Ottawa Group on Price Indexes (E/CN.3/2005/8), the Commission also noted the existence of classification schemes related to electronic commerce, such as the United Nations Standard Products and Services Code (UNSPSC), formerly known as the Universal Standard Products and Services Classification. The Commission supported the proposal of the Ottawa Group that the United Nations Statistics Division investigate its potential as a "derived" classification and consider the establishment of correspondence tables with existing international statistical classifications, while taking note of the limitations of UNSPSC, as noted by some delegations.

II. Activities carried out in response to the requests of the Commission

A. Status of the revision process of the International Standard Industrial Classification of All Economic Activities

1. Background

3. The submission of the final structure for the proposed International Standard Industrial Classification of All Economic Activities, Revision 4, to the present session of the Statistical Commission concludes a programme of work that has spanned several years.

4. The Statistical Commission mandated the beginning of the revision in 1999 following its review of the report entitled "Evaluation of progress in the implementation of International Standard Industrial Classification of All Economic Activities, Revision 3 and the Central Product Classification, Version 1.0" (E/CN.3/1999/16). It recommended undertaking the revision of the ISIC in two distinct steps. The first step resulted in the preparation of the ISIC Revision 3.1, submitted and approved by the Statistical Commission in 2002, which was limited to the improvement of the explanatory notes, introductory text and minor structural changes at the four-digit level. The second step should result in a comprehensive review and revision of the ISIC, to be submitted in 2006 to the Statistical Commission with an expected publication date of 2007. The dates have been determined taking into consideration the requests of individual countries and regional statistical offices.

2. Objectives and scope

5. The objectives of the 2007 revision of the International Standard Industrial Classification of All Economic Activities were formulated in terms of improving and strengthening its relevance and comparability with other classifications, while considering its continuity. To maintain relevance, it was necessary to incorporate new economic production structures and activities. Simultaneously, the need for enhanced comparability provided the impetus towards the convergence of the Australian/New Zealand, European and North American industry classifications and other activity classifications used around the world. Also of vital importance was the need to ensure continuity. As a consequence, it was determined that changes should be made only where the benefits in terms of relevance or comparability outweighed the costs. In the later stages of the revision process, it became increasingly clear that continuity was an important element for many countries.

6. The Statistical Commission mandated a broad scope for revision, covering conceptual issues, broad structure issues, detailed structure and boundary issues and detailed explanatory notes of the classification. Major conceptual issues of the revision included questions of whether to develop a unit-based rather than an activity-based classification, the review of classification principles for the treatment of integrated activities, the use of value added and the use of the top-down method for identifying the primary activity of a unit, the use of the production process principle for delineating detailed categories and principles for grouping of activities at higher levels of the classification, the link between activity and product

classifications and the hierarchical structure, and a proposed minimum level of adaptation of the classification by countries.

3. Consultative process

7. Development of the different versions of the ISIC draft, the questionnaires and related materials was carried out by the United Nations Statistics Division in consultation with the Technical Subgroup of the Expert Group on International Economic and Social Classifications. The process has benefited from the guidance of the Statistical Commission and Expert Group, which met three times between June 2001 and 2005. At each meeting, the Statistical Commission and the Expert Group reviewed the process employed and progress made during the revision and set or confirmed new guidelines for the next steps in the revision process.

8. Following the recommendations of the Expert Group, the Statistical Commission confirmed that consultation with all member countries in the revision process should be a priority. This consultation should be achieved through regional workshops and questionnaires seeking input from all countries during different stages of the revision process. On the one hand, the consultation would allow the direct involvement of all major stakeholders, in particular those related to research already carried out on the convergence of industry classifications (see paras. 16 and 17). On the other hand, the process would allow deliberation on different viewpoints, arising out of different economic settings, which needed to be considered to ensure the relevance of the ISIC (and the CPC) as international reference classifications in their respective subject areas.

9. The Technical Subgroup met for a total of 10 (usually week-long) meetings to elaborate the details of the classification. Additional input to the process was provided through seven regional workshops conducted or initiated by the United Nations Statistics Division in different regions of the world; through meetings with the Food and Agriculture Organization of the United Nations (FAO), the Working Party on Indicators of the Information Society (WPIIS), the Association of Southeast Asian Nations (ASEAN) and Afristat on specific subjects; and through seven meetings of the North American Industry Classification System (NAICS)-Statistical Classification of Economic Activities in the European Community (NACE) convergence project, which the Statistics Division has attended. Those meetings and workshops not only provided additional input into the revision process from the perspective of the countries or specialized agencies, but also served as a way to inform countries and agencies on the progress and challenges of the ISIC (and CPC) revision process.

10. Three rounds of country consultations were undertaken, with detailed questionnaires prepared for each round. Each round of country consultations generated replies from about 60 countries, ensuring worldwide representation in the revision process as mandated by the Expert Group and the Statistical Commission.

11. In the present context it is important to note that the update of the 1993 System of National Accounts (SNA) is considering a number of issues relevant for the ISIC revision, such as the treatment of ancillary units and financial services. Agreements reached so far in the SNA update process have been incorporated into the ISIC revision. The Statistical Commission has recognized that the SNA revision process extends beyond the deadline for the completion of the ISIC. While the implications and anticipated resolutions of the SNA issues with respect to the ISIC have been

considered, additional issues may arise during the SNA update that may no longer be reflected in the ISIC if the complete alignment with NACE at all levels of the classification is to be maintained.

4. Work undertaken

12. The Technical Subgroup prepared a proposal for the work programme for the 2007 revision of the International Standard Industrial Classification of All Economic Activities, Revision 4, and the Central Product Classification, Version 2, in a multistage process. The work programme was discussed and approved at the meeting of the Expert Group on International Economic and Social Classifications in June 2001. The Commission subsequently endorsed the workplan at its meeting in March 2002.

13. A first questionnaire covering conceptual issues and cross-cutting and boundary issues was distributed to all countries and relevant international organizations in 2001 with the aim of surveying countries' expectations of the revision, identifying major areas or concepts to be reviewed and setting priorities for the work process that would follow.

14. Taking into consideration the replies to the questionnaire, a draft concept paper and a draft high-level structure of the International Standard Industrial Classification of All Economic Activities was developed in 2002 and presented to the Statistical Commission in March 2003. The draft concept paper and high-level structure of the Classification then served as guidance for the next steps in the revision process and formed the basis for the second questionnaire on the revision of the ISIC and the CPC. That questionnaire was sent out in May 2003 and consisted of a set of four documents: (a) the concept paper for the 2007 ISIC and CPC revision; (b) a draft paper of a possible structure for the ISIC, Revision 4, focusing on higher-level categories; (c) a discussion paper on coding options for the ISIC; and (d) a set of questions for the ISIC and CPC revision. The questions in item (d) arose from the preparation of the three papers mentioned in items (a) through (c) and provided some guidance and structure for the responses. However, responses did not have to be restricted to the issues listed in the questionnaire. The responses to the questionnaire were subsequently reviewed by the Technical Subgroup and resulted in a revised top-level draft structure of the classification, which was presented to the Commission in March 2004.

15. The third enquiry in the present ISIC revision process provided, along with the questionnaire, a full detailed structure of the ISIC, Revision 4, complete with explanatory notes. This draft of Revision 4 was developed on the basis of responses to the first two questionnaires and additional comments received by countries, organizations, working groups, industry associations and the like. The responses to this questionnaire included more than 2,000 individual comments for improving the structure or explanatory text of the classification, which were evaluated and taken into account by the Technical Subgroup at two meetings in early 2005; the draft classification was revised accordingly. The revised version was presented to the Expert Group at its meeting in June 2005.

5. NACE-NAICS convergence project

16. A project to study convergence between the European and North American industry classifications was initiated in 2000. Although not formally part of the

revision of the International Standard Industrial Classification of All Economic Activities or of the work of the Technical Subgroup, the NACE-NAICS convergence project has provided a substantial amount of background information and research useful for the ISIC revision. One output of the project was a convergence scenario, assuming a possible common top structure for NACE and NAICS, which was then discussed during an extensive consultation phase with stakeholders in the participating countries. The outcome of those consultations showed that, despite the benefits, no sufficient support for such a scenario exists. The overriding argument was that the number of necessary changes and associated implementation costs were too high. As a result, the new focus of the convergence work became a "better concordance" scenario, which addressed lower structure detail and concept issues. The suggested changes would result in classifications with much better comparable building blocks, allowing for data conversion at different levels of the classification while still maintaining different structures.

17. The work carried out in the convergence project provided valuable input into the ISIC revision, not only through its final recommendation, but also through conceptual work on the definitions of industry or activity groupings. Moreover, the project provided indications of the extent of convergence achievable in participating countries. At the same time, it showed the limitations in the convergence effort that ISIC and other classifications could achieve.

6. Final draft of the International Standard Industrial Classification of All Economic Activities, Revision 4

18. The final draft of the ISIC, Revision 4, presented to the thirty-seventh session of the Statistical Commission makes considerable changes to the structure of the ISIC, Revision 3.1, with the relevance of the Classification clearly improved. The revised ISIC structure is more detailed than in the previous version, responding to the general need to identify many new industries separately. Moreover, relevance has been enhanced through the introduction of a number of new concepts at higher levels of the classification, such as the "Information and communications" section, while other existing industries in the ISIC have been described in more detail and some categories have been elevated to higher levels, such as waste management activities, professional activities or real estate activities. Other structure options that had been considered, such as the elimination of a "manufacturing" aggregate at the top level, were rejected.

19. The proposed classification structure allows for much better comparison with other standards, such as NAICS, NACE or the Australian New Zealand Standard Industrial Classification (ANZSIC). That achievement in comparability was realized through the discussion and evaluation of new concepts and their respective adoption in the ISIC, but also in the other classifications. Complete alignment has been maintained with NACE at all levels of the classification, while clean links with NAICS and ANZSIC have been established at the two-digit level and often even beyond that. As a result, the proposed ISIC structure provides a much better tool for international data comparison.

20. It has become clear during the revision process that countries around the world have widely differing needs, resulting in different requirements and expectations for an activity classification. In that process, the Expert Group and the Technical Subgroup have tried to create, not a consensus document, but rather a classification

that reflects current economic organization in most countries of the world, is forward looking and provides a good basis for comparable statistics around the world in future years. The proposed structure of the ISIC, Revision 4, reflects the organization of production better than its predecessor and is better suited to describe the current economic reality.

21. The final draft of the International Standard Industrial Classification of All Economic Activities, Revision 4, was considered by the Expert Group on International Economic and Social Classifications at its meeting in June 2005. The Expert Group took decisions on a few open questions brought forward by the Technical Subgroup, gave additional guidance to the Subgroup for clarification of the draft and approved the draft ISIC, Revision 4. The full report of the Expert Group is available as a background document.

22. The structure of the final draft of the ISIC, Revision 4, is also available to the Statistical Commission as a background document. The Commission is requested to review the draft and, as recommended by the Expert Group, approve the draft of Revision 4 as the recommended international classification standard for economic activities.

23. As proposed during the revision process and in previous meetings of the Commission, the Commission may wish to recommend that countries make an effort either to adopt national versions of the ISIC, Revision 4, or to adjust their national classifications in such a way that data can be presented according to the categories of the ISIC, Revision 4. Specifically, countries should be able to report data at the two-digit (division) level of the Classification without a loss of information; that is, national classifications should be fully compatible with this level of the ISIC, or it should be possible to arrange them.

7. Future work

24. Work on the high-level aggregation structures of the International Standard Industrial Classification of All Economic Activities, suitable for National Accounts purposes, was still in progress, with a proposal being considered at the time of the writing of the present report. That proposal will be discussed at the fourth meeting of the Advisory Expert Group on National Accounts in January and February 2006. The Expert Group on International Economic and Social Classifications acknowledged that the "top-top" structure would be included as an annex in the ISIC manual without being part of the regular ISIC structure.

25. Other annexes to the ISIC manual will include alternate aggregations, such as those for information and communication technology activities, and alternate structures, such as one proposed for non-profit institutions, essentially replacing the existing International Classification of Non-Profit Organizations (ICNPO).

26. The Expert Group on International Economic and Social Classifications agreed that a number of conceptual issues, such as the definition of statistical units in the classification and the new treatment for mixed activities should be clearly discussed in the introduction to the ISIC and in supplementary documents.

27. A user's guide is planned for the ISIC, Revision 4. A draft of the user's guide is expected to be reviewed by the Expert Group at its next meeting in early 2007.

28. The focus of the United Nations Statistics Division's outreach programme will from now on shift to the implementation of the classification, following the elements of the user's guide, which will throughout 2006 be tested in workshops.

29. The resources of the United Nations Statistics Division do not allow it to assist a sufficiently large number of individual countries in adapting the classification. Those efforts need to be supported by bilateral or multilateral initiatives. The Commission may wish to suggest ways to support the implementation of the new classification by a large number of countries.

B. Status of the revision process of the Central Product Classification

1. Background

30. The submission of the final structure for the proposed Central Product Classification, Version 2, to the present session of the Statistical Commission concludes a multi-year programme that was undertaken in conjunction with the revision of the International Standard Industrial Classification of All Economic Activities.

31. The beginning of the revision was mandated by the Statistical Commission in 1999 in conjunction with the ISIC revision. The revision of the CPC was conducted in two distinct steps. The first step resulted in the preparation of the Central Product Classification, Version 1.1, which was submitted and approved by the Statistical Commission in 2002. That revision was limited to the improvement of the explanatory notes, introductory text and selected minor structural changes as recommended by the Expert Group on International Economic and Social Classifications in 1999. The second step should result in a comprehensive review and revision of the CPC, to be submitted in 2006 to the Statistical Commission, with an expected publication date of 2007. The dates have been determined taking into consideration the requests of individual countries and regional statistical offices.

2. Objectives and scope

32. The objectives of the 2007 revision of the Central Product Classification were formulated in terms of relevance, comparability and continuity. The two alternatives to the current structure, an industry-of-origin approach and a demand-based approach, were considered. After weighing the pros and cons, a decision was reached to maintain the current CPC structure, which was subsequently endorsed by the Expert Group and the Statistical Commission. The CPC revision focused, therefore, on the review of individual sections of the classification and not on a complete restructuring.

3. Consultative process

33. The consultative process for the revision of the Central Product Classification was based on the same principles and mechanism as the revision of the International Standard Industrial Classification of All Economic Activities.

34. Questions on the scope of the CPC, in particular a better understanding of the boundary between the product classification and an asset classification, have been resolved in cooperation with experts on National Accounts. In addition, issues

arising out of the revision of the 1993 SNA have been considered in making the CPC a better tool within the SNA framework, such as the consistent introduction of the concept of **originals and copies** in the classification.

35. Proposals developed or reviewed in other groups, such as the Voorburg Group on Service Statistics, were also considered and incorporated. In addition, close cooperation with the Food and Agriculture Organization of the United Nations was maintained in the review of the agricultural portion of the CPC and in the elaboration of a more appropriate structure (see also sect. II.E).

36. Throughout the revision process, the various drafts of the CPC revision were prepared by the Technical Subgroup, with the monitoring and guidance of the Statistical Commission and the Expert Group. Three rounds of country consultations were undertaken, which led to about 60 replies from individual countries for each round. The numerous workshops were also used to ensure worldwide country representation. They offered the opportunity to provide updated information on CPC changes to countries and to seek feedback from countries on their experiences with the CPC or other product classifications. Moreover, the consultations provided the opportunity to determine their expectations of this CPC revision.

4. Work undertaken

37. The Technical Subgroup prepared a proposal for the programme of work for the 2007 revision, Central Product Classification, Version 2, in a multistage process. The work programme was discussed and approved at the meeting of the Expert Group on International Economic and Social Classifications in June 2001. The Commission subsequently endorsed the workplan at its meeting in March 2002.

38. The revision process was started by identifying general conceptual issues, defining the scope of the revision, elaborating and reviewing explicit proposals and finally updating the detailed structure and explanatory notes of the classification. Since the CPC has been revised at shorter intervals than the ISIC, it was expected that the revision of the CPC would be much less extensive than the revision of the ISIC.

39. The worldwide consultation for the Central Product Classification (using questionnaires) was initially combined with the ISIC revision, in which the first two questionnaires covered both ISIC and CPC issues. The first questionnaire, sent out in 2001, solicited general proposals for the CPC revision to develop a better understanding of countries' needs in the revision process.

40. The second questionnaire, sent out in 2003, raised a number of conceptual issues with potential impact on the scope of the CPC revision and its relation to other classifications. It included questions on the purpose and scope of the CPC, as well as different options for the CPC aggregation structure.

41. The third questionnaire, sent out in 2004, sought feedback on proposals developed or reviewed in other groups, such as the Voorburg Group on Service Statistics. The proposals related to specific sections such as health services, waste management services or information products. The review of replies to this questionnaire led to the development of the revised CPC structure, which was prepared for distribution in 2005.

42. At its meeting in June 2005, the Expert Group reviewed the process employed for the CPC revision and the detailed work that had been done to produce a first complete draft for the CPC, Version 2. The Expert Group concluded that all proposals received so far had been reflected in the CPC structure and detail and agreed to distribute the draft in that form for worldwide consultation.

43. Of particular concern in the first draft of the CPC, Version 2, was the proposed structure for agricultural and related products, which was deemed to be too detailed in its original form. That particular part of the Classification was subsequently revised in meetings of the Technical Subgroup and in a special meeting convened by the Food and Agriculture Organization of the United Nations.

5. Final draft of the Central Product Classification, Version 2

44. Based on previous proposals and agreements, the main structure of the Central Product Classification remains unchanged, but improvements and adjustments have been made to the following areas: agricultural raw and processed products, information products, information and communication technology-related products, transportation services, accommodation services, professional services, waste management services, health services, telecommunication services and originals. Most of the proposals had been reviewed in other forums, such as the Voorburg Group on Service Statistics, before being incorporated in the CPC draft and reviewed by countries in the full CPC context.

45. Links to other classifications have been considered in the revision process and have led to some changes in the classification and to recommendations for changes to other classifications to improve the comparability of data. In that regard, the Classification of Products by Activities (CPA), the North American Product Classification System (NAPCS), the Standard International Trade Classification (SITC), the Harmonized Commodity Description and Coding System (HS; Harmonized System), the Extended Balance of Payments Services Classification (EBOPS) and the International Standard Industrial Classification of All Economic Activities have been considered for substantial parts of the revision process. Similar to the link between the ISIC and NACE, particular attention has been paid to maintain a strong correlation between the Central Product Classification and the Classification of Products by Activities at the most detailed level, although their aggregation structures differ.

46. The revised structure of the CPC and the extended recognition of products better reflect the current production patterns and make the revised CPC a better tool for measuring outputs of economic activities in line with concepts in the SNA.

47. Following the recommendations made by the Expert Group on International Economic and Social Classifications at its meeting in June 2005, the final draft of the CPC, Version 2, structure was reviewed after the meeting by the Technical Subgroup and, at the time of the writing of this report, was being reviewed by the Expert Group for approval.

48. The structure of the final draft of the CPC, Version 2, is available to the Statistical Commission as a background document. The Commission is requested to review the draft and approve that structure as the recommended international product classification standard.

6. Future work

49. The planned user's guide for the International Standard Industrial Classification of All Economic Activities will address Central Product Classification issues as well. This will be achieved through the discussion of classification principles and their interpretation and application in both classifications, recognizing that the CPC describes the outputs of the economic activities described in the ISIC. This joint presentation of ISIC and CPC issues should also foster the combined use of the ISIC and the CPC for statistical purposes.

50. Similarly, the activities for furthering the implementation of the Central Product Classification will be combined with the implementation efforts for the International Standard Industrial Classification of All Economic Activities. United Nations Statistics Division workshops will focus on the combined use of the ISIC and the CPC, as described above.

C. Status of the revision process of the International Standard Classification of Occupations

1. Recommendations by the Expert Group on International Economic and Social Classifications

51. At its meeting in June 2005, the Expert Group on International Economic and Social Classifications took note of the mandate and process to update the International Standard Classification of Occupations 1988 (ISCO-88),[7] including the establishment of an ISCO web forum and the sending of methodological questionnaires to member countries. It also considered the significant constraint imposed by the seventeenth International Conference of Labour Statisticians in December 2003 to maintain the basic structure and fundamental principles of the ISCO-88.

52. The Expert Group noted the need for a long-term plan for the review cycle of the ISCO and recommended that the International Labour Organization provide information about its long-term vision for the Classification to the next meeting of the Statistical Commission.

53. As an immediate practical measure, the Expert Group discussed and endorsed the proposal to establish a technical subgroup on the International Standard Classification of Occupations to advise the International Labour Organization in the drafting of proposals for updating the ISCO and in the preparation of documents for discussions at technical meetings. Terms of reference for the group and a timetable and set of deliverables have been elaborated. The Technical Subgroup on the International Standard Classification of Occupations will report back to the Expert Group at a meeting in early 2007.

54. The actual status of the group as a subgroup of the Expert Group on International Economic and Social Classifications was subsequently questioned by the ILO, but it still intends to report back to the Expert Group on work carried out until 2007.

55. After the endorsement by the Expert Group, the ISCO will go through an approval process involving an International Labour Organization tripartite meeting and the International Conference of Labour Statisticians. The Commission may wish

to discuss if and how potential changes to the classification being made during those later steps could be brought back for discussion by the Expert Group or in another appropriate statistical forum.

2. Work undertaken by the International Labour Organization

56. Work on updating the International Standard Classification of Occupations (ISCO-88) started in January of 2004, as mandated by the seventeenth International Conference of Labour Statisticians in November 2003. The updated classification will be known as ISCO-08 and should be available by the end of 2007, as recommended by the Statistical Commission at its thirty-fourth session in March 2003.

57. In September 2004, a questionnaire was sent to all countries through their national statistical agencies, their ministries of labour and, when contact information was available, their vocational training institutes, employer organizations and worker organizations. The questionnaire sought advice on a number of conceptual issues and on the treatment of specific occupational groups. It also sought concrete recommendations on the creation of new occupational groups and on improving the descriptions of already existing groups.

58. The replies to the questionnaire were analysed by the International Labour Organization and summarized in a paper that formed the basis for discussions about the ISCO at the meeting of the Expert Group on International Economic and Social Classifications held in New York in June 2005.

59. The Expert Group provided advice with respect to a number of proposals for change to the classification canvassed in that paper. It also expressed concern that the use of "skill level" as a method of differentiating between categories in the classification needed to be explained more clearly to allow for consistent international application of the concept. With respect to the process for updating the classification, the Expert Group advised that the scope and boundaries of the revision process needed to be clarified and that further information about the timetable for future updates was required.

60. As suggested by the Statistical Commission at its thirty-sixth session, the International Labour Organization has established the Technical Expert Group for updating the International Standard Classification of Occupations. The Technical Expert Group met in Geneva from 8 to 11 November 2005. Significant progress was made at the inaugural meeting, during which agreement was reached on the following matters:

(a) The mode of operation for the Technical Expert Group and the method to be used for resolving structural and conceptual issues;

(b) The boundaries of the work to be undertaken;

(c) The plan of work for the updating process;

(d) An extended definition of skill level and a method of measuring that concept operationally in an international context;

(e) The most appropriate treatment in the new ISCO of a number of occupational groups that had been identified as being problematic, including managers, teachers, fast food cooks and street service workers;

(f) A framework for further work with respect to some other occupational groups for which it was felt that more information was required, including occupations in information and communication technology;

(g) The development of alternative groupings for the classification, based primarily on the goods or services produced, independently of skill level.

61. Although much of the work of the Technical Expert Group will be done by electronic means, it is anticipated that it will need to meet physically from time to time, and two meetings are planned in 2006.

62. A second questionnaire will be sent out early in 2006 seeking views on a draft updated classification structure and seeking advice on areas where the Technical Expert Group feels that further information is required. Countries will also be invited to make further proposals for change to the classification structure. The analysis of the replies to the second questionnaire will be considered by the Technical Expert Group during 2006 with the aim of circulating a near-final draft classification structure to countries for comment at the beginning of 2007. The draft will also be available for discussion at the next meeting of the Expert Group on International Economic and Social Classifications, scheduled for early 2007.

63. Discussions in an Internet web forum established by the International Labour Organization will constitute a second mechanism through which feedback from countries and other interested parties may be obtained. Those discussions will concentrate on issues emerging from responses to the questionnaires that are regarded as requiring further discussion, as well as on any other issues that may arise from the discussions themselves.

64. The ILO will then finalize the classification for discussion at an ILO tripartite meeting of experts on labour statistics to be convened at the end of 2007. That meeting of experts will be asked to adopt ISCO-08 as mandated by the seventeenth International Conference of Labour Statisticians.

65. Following adoption of the classification it is intended that the Technical Expert Group will continue to function and will provide advice to the International Labour Organization on issues associated with implementation of the International Standard Classification of Occupations and on the need for further updates or revisions.

D. Status of the revision process of the Standard International Trade Classification

66. The Expert Group on International Economic and Social Classifications was briefed on the work done and on progress made on the fourth revision of the Standard International Trade Classification on its meeting in June 2005. The Expert Group expressed the need for the Task Force on International Merchandise Trade Statistics to formulate more clearly the underlying conceptual fundamentals and principles of the SITC in its revision process and agreed that the work on the SITC revision should move forward based on the above. A number of countries and organizations indicated an interest to be kept abreast of the SITC revision, namely, Argentina, Austria, Australia, China, France, the Philippines, and the United States of America; and Eurostat, the Food and Agriculture Organization of the United Nations, the Organization for Economic Cooperation and Development and the International Monetary Fund.

67. The following were sent to all members of the Expert Group for comments: the provisional draft of the SITC, Revision 4; a correlation table between the SITC, Revision 4 and the Harmonized System 2007; an overview of the SITC, Revision 4; and two annexes, one with a list of deleted SITC, Revision 3 codes, and the other with a list of new SITC, Revision 4 codes. The Trade Statistics Branch of the United Nations Statistics Division received some comments and will incorporate them into the revision whenever possible.

68. The Technical Subgroup of the Expert Group on International Economic and Social Classifications was updated on the progress of the fourth revision of the SITC and the linkage between the Central Product Classification and the Standard International Trade Classification during its meeting in October 2005. The Technical Subgroup supported the revision of the SITC in general and the improvement of the links between the CPC and the SITC to the extent possible, in particular.

E. Status of the revision process of agricultural classifications

69. The efforts to align agricultural classifications with the overall international classifications (i.e. ISIC, CPC and ISCO) have been made parallel on three fronts: contributing FAO proposals for the Central Product Classification, the International Standard Industrial Classification of All Economic Activities and the International Standard Classification of Occupations, updating the FAO list of agricultural products and applying international classifications to the World Programme for the Census of Agriculture. The current revision processes for the ISIC, the CPC and the ISCO have provided a rare opportunity for such joint efforts by the Expert Group on International Economic and Social Classifications and its Technical Subgroup, the United Nations Statistics Division, the Food and Agriculture Organization of the United Nations, other international/regional organizations and member countries to be productive.

1. Agriculture in the Central Product Classification, the International Standard Industrial Classification of All Economic Activities and the International Standard Classification of Occupations

70. In the past, the Central Product Classification was not fully applicable to agricultural statistics mainly because the structure and detail of the Harmonized System, the basis of the CPC, were not directly suitable for the purpose of agricultural statistics. For example, while it was important to measure raw agricultural products in terms of domestic production, they were not always internationally traded in large amounts. If such a category was too small for the Harmonized System, it was typically combined with the further processed forms of those products. In addition, there were products that may have been of particular interest to agricultural statisticians and analysts but were not separately identifiable in the Harmonized System for other reasons. There was a long-standing request for the CPC structure to be more responsive to the needs of agricultural statistics, requiring more detail in this area.

71. The adoption of the FAO proposal for the Central Product Classification, supplemented by comments from countries, has helped in the revision of structures, and in the clarification of concepts and definitions. It also ensured the inclusion of necessary details for implementation in the CPC. Compared with CPC Version 1.1,

about 200 new items have been added to CPC Version 2 in the areas of agriculture, forestry, fisheries and food. The structure and contents of the new version of the CPC now reflect much better than ever before the reality and needs of agricultural statistics.

72. With the input of the FAO proposal for the ISIC, the new version of that classification has met the request by many countries to have a more detailed breakdown for the production of crops and the raising of animals. It has also recognized the importance of the production of seeds and seedlings and has clarified the content of "seed processing" and related production of seeds for flowers, fruit and vegetables.

73. In early 2005, a proposal by the FAO for the International Standard Classification of Occupations was submitted to the ILO Bureau of Statistics, suggesting some specific recommendations to improve the classification of occupations in the areas of agriculture, forestry and fisheries in ISCO-88.

2. Food and Agriculture Organization of the United Nations: list of agricultural products

74. The problem in the past was that classifications used for agricultural statistics were not fully compatible with classifications used in other areas of statistics. The FAOSTAT list of agricultural products was inspired by the SITC and it was adapted by adding additional details. The list has been used by FAO and member countries to collect agricultural data during the last 40 years. It served well the specific needs of agricultural production statistics, especially in dealing with heterogeneous definitions used by different countries in order to publish data from different domains and sources together in an analytical structure. Over the year, however, the list remained static and was not updated with new technological advances and changes. Gradually, its concepts and definitions became outdated as compared with the Harmonized System and the Central Product Classification. As a result, the comparison and integration of agricultural statistics with other statistics was impaired.

75. As part of the new project to modernize FAOSTAT, the FAO list of agricultural products has been carefully reviewed and revised. It has now been updated and brought into line with international classifications, especially the CPC, through a better and closer link with Harmonized System. The new list contains about 600 primary and transformed commodities mainly derived from about 2,020 commodities in the Harmonized System. In addition, a list of 200 aggregated primary food items has been identified for the purpose of compiling food balance sheets and supply utilization accounts, the statistics and indicators of which play an important role in the monitoring of the progress of the Millennium Development Goals. Those items were selected on the basis of their importance in terms of nutritional content, quantity and price, and are identified by the same definitions, contents and titles as in the Harmonized System.

3. Classifications used in the World Programme for the Census of Agriculture

76. The inclusion of the FAO proposals for the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in their new versions, the ISIC, Revision 4, and CPC, Version 2, has effectively

facilitated their application to the next World Programme for the Census of Agriculture.

77. At the FAO Technical Review Meeting on the World Programme for the Census of Agriculture 2010, held in Rome Italy, in March 2005, there was broad consensus that the classifications to be used for the agricultural census, particularly for crops, livestock and machinery, should be harmonized with such standard international classifications as the International Standard Industrial Classification of All Economic Activities and the Central Product Classification, and with the System of National Accounts. Experts at the Meeting fully endorsed the initiative of FAO to apply the CPC and ISIC as the base for constructing classifications used for the next round of the World Programme for the Census of Agriculture.

78. In the design of the World Programme for the Census of Agriculture 2010, concepts and principles of the SNA and the ISIC have been used to define the agricultural census units, agricultural activities and the scope of the agricultural census. For the first time in its history, a new crop list has been constructed based on the principles and structures of the CPC and the ISIC. The classification of crops, classification of livestock and classification of machinery and equipment recommended in the World Programme for the Census of Agriculture 2010 are now fully compatible with the ISIC and the CPC.

F. Review of the link between the Central Product Classification and the United Nations Standard Product and Services Code

79. At its thirty-sixth session, the Commission reviewed the report of the Ottawa Group on Price Indexes, which contained a request to consider the potential of the United Nations Standard Products and Services Code as a derived classification and whether it would be appropriate for the United Nations Statistics Division to investigate the development of concordances between this classification and existing reference classifications.

80. The term "derived classification" has been reserved for members of the family of international classifications, which are based upon the relevant reference classification. Derived classifications may be prepared either by adopting the reference classification structure and categories and then possibly providing additional detail beyond that provided by the reference classification, or they may be prepared through the rearrangement or aggregation of items from one or more reference classifications. A simple comparison of the CPC and UNSPSC structures indicates that this type of relationship between the two classifications does not exist. In addition, the UNSPSC, not being a statistical classification and not having undergone an approval process, as set out in the preamble to the family of international economic and social classifications, does not meet the criteria for introduction into the family.

81. The issue of establishing a correspondence between the CPC and the UNSPSC has been considered by the United Nations Statistics Division and a trial correspondence has been developed. The trial correspondence for a subset of the classification has shown that the conceptual differences for development of the detail of the classifications make it practically impossible to arrive at meaningful correspondence tables that can be used to convert data between the two classifications precisely. While the CPC bases its goods part on definitions of the

Harmonized System, there is no such link or equivalent level of definition for the UNSPSC. In addition, the categories at the detailed level of the UNSPSC for services are often not identifiable in terms of the CPC owing to ambiguity in language or for other reasons. The concepts used for defining and grouping items in the classification are also different (if identifiable).

82. The Expert Group also discussed the preceding issue at its meeting in June 2005. The UNSPSC is a moving structure list with a user base of some 2,000 enterprises worldwide. The Expert Group agreed that such a coverage ratio would not be sufficient to collect sufficient data for use in the calculation of price indexes. Moreover, a large number of procurement classifications are in use worldwide, including classifications for government use and for private companies. For example the European Community mandates the use of the Common Procurement Vocabulary (CPV); the United States uses other classifications, including the Federal Supply Classification; and many large companies may run still other proprietary systems. In observing that the UNSPSC is not the appropriate mechanism for satisfying the intended objectives, the Expert Group instructed the United Nations Statistics Division to report the above findings to the Ottawa Group. The Expert Group also suggested that a preliminary assessment be made of procurement classifications to determine whether there is any in widespread use in the European Union, North America and/or other regions in order to determine whether there is a procurement classification that is predominant worldwide.

83. A comparison of the detail provided in the UNSPC and CPC makes the UNSPSC appear much more detailed. However, considering the UNSPSC detail as a list of products rather than as a structured classification, it seems more appropriate to compare it to the CPC index, which now covers more than 42,000 items, compared to 18,000 in the UNSPSC. It should be further explored if and how this detail can be used for the purposes intended by the Ottawa Group.

84. The Expert Group has communicated its findings to the Ottawa Group and will, in cooperation with the Ottawa Group, undertake further consultations to investigate potential changes in the CPC that could lead to its improved applicability for price statistics.

G. Other recommendations by the Expert Group on International Economic and Social Classifications for future work in the family of international classifications

85. The Expert Group on International Economic and Social Classification discussed the proposal to establish a mechanism for assessing the implementation of international standard classifications through a formal set of questions and criteria. The Expert Group agreed that this measurement should take several key areas into account, which would focus not only on the strict adaptation of the coding structure, but also on data comparability and use of the classification. The assessment should also take into account correspondence tables between the international standard and national adaptations. The Expert Group agreed to the key areas outlined in the discussion document as a starting point and asked that a small group of Expert Group members prepare a refined version within the next year. Experiences with other families of classifications, such as that of the World Health Organization, should be taken into account.

86. The Expert Group also discussed different economic classifications and their relationship and agreed that their concepts and potential future role within the family of international economic and social classifications should be reviewed. Such a review should be undertaken for economic classifications including the International Standard Industrial Classification of All Economic Activities, the Central Product Classification, the Standard International Trade Classification, the Classification by Broad Economic Categories and the classifications of expenditure according to purpose. The work should start with a concept/vision paper to be prepared within the next 12 months. It was concluded that the present Technical Subgroup of the Expert Group on International Economic and Social Classifications could take on this task, but at a later time after the conclusion of the ISIC and CPC revisions. The work could be linked to the implementation and use of the CPC.

III. Points for discussion

87. **The Statistical Commission may wish to express its views on the following questions:**

(a) **Does the Commission agree to recommend the above-mentioned ISIC and CPC structures as the international standards for activity and product classifications and request countries to use these classifications as models for their national classifications to produce internationally comparable statistics?**

(b) **Does the Commission agree with the recommendation that countries should adapt their national classifications to be able to report data at least at the two-digit level of the International Standard Industrial Classification of All Economic Activities without loss of information?**

(c) **Does the Commission wish the United Nations Statistics Division to elaborate an implementation programme for the ISIC and the CPC, including financial and human resource implications, which will then require the active support of member countries?**

(d) **Does the Commission agree with the workplan for the International Standard Classification of Occupations as set out by the International Labour Organization? Does the Commission agree that the Expert Group on International Economic and Social Classifications should remain involved in this process, especially after the planned review at the Expert Group meeting in 2007?**

(e) **Does the Commission agree with the findings of the Expert Group not to pursue further a link between the United Nations Standard Products and Service Code and the Central Product Classification?**

Notes

[1] See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I, sect. B, para. 2.

[2] Geneva, International Labour Office, 1990.

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Report of the World Bank on the International Comparison Programme

Note by the Secretary-General

In accordance with the request of the Statistical Commission at its thirty-sixth session,** the Secretary-General has the honour to transmit to the Statistical Commission the report on the International Comparison Programme prepared by the International Comparison Programme Global Office of the World Bank (see annex). The Commission is requested to review progress and comment on planned activities. In particular, comments are welcomed on publication plans, data access issues and the future of the Programme.

* E/CN.3/2006/1.
** See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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Annex

Report of the World Bank on the International Comparison Programme

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I. Introduction

1. A governance arrangement comprising national, regional, and international organizations has been established, as well as the International Comparison Programme (ICP) Executive Board. The Board is responsible for the successful implementation of the programme. An international secretariat is located in the World Bank and is charged with the day-to-day management and coordination of the global programme.

2. The Executive Board has provided effective leadership on the scope of the Programme and the overall workplan. The members representing other international organizations, all of the regional coordinating organizations and national statistical offices have promoted a strong sense of partnership and ownership among all stakeholders. The Technical Advisory Group has provided effective technical support.

3. While the Statistical Office of the European Communities (Eurostat) and the Organization for Economic Cooperation and Development (OECD) operate separate comparison programmes including their member countries, there is a very effective partnership between the two programmes. The results of the two programmes will be brought together by the "ring" comparison, which will include countries from the Eurostat/OECD region.

4. Significant progress has been made, with all regions fully engaged in data collection. All have reviewed preliminary data and calculated purchasing power parities (PPPs) at the basic heading level for analysis purposes. The ring product list has been finalized, as have specifications for the collection of prices for the equipment, construction, health and government sector comparisons. Data collection for those items will take place during the first half of 2006. The workplan calls for preliminary results to be published in late 2006.

5. The present report provides a summary of the status of the global and regional programmes. The Statistical Commission is invited to take note of the progress made to date. The report also includes a number of issues regarding budget, publication plans, data access policies and the future of the Programme that were addressed by the Executive Board and are summarized in this report for discussion purposes.

II. Overview of the global programme

6. Data collection is under way with all regions expected to meet the requirements for national annual prices for the 2005 reference year. Data from the first data collections have been reviewed by country and regional offices. Four regions have held at least two data review workshops with participating countries to examine purchasing power parities at the basic heading level. While the first data review workshops revealed many data quality problems, solutions were offered and corrections made in subsequent data collections.

7. The Global Office also held a data review workshop by bringing the regional coordinators together to review jointly regional prices and basic heading PPPs. The workshop enabled the regional coordinators to learn from each other about problems encountered and to offer solutions. Most importantly, it allowed the Global Office

and the regional coordinators to identify areas where each region needed to make adjustments for comparability purposes across regions. Adjustments required by some regions included the following: pricing more items, tightening product specifications, widening the scope of outlets and obtaining more observations.

8. The data review workshop held by the Global Office also enabled it to propose new data analysis methods. A new set of diagnostic tables was introduced to complement the well-known Quaranta tables. The new tables provide a compressed overview of diagnostics across basic headings, while the Quaranta tables provide analysis for one basic heading at a time.

9. Of the five ICP regions, three submitted data to the Global Office for the data review; one brought electronic files for illustration; and the other brought paper copies showing limited information. That experience raised many issues regarding policies for data submission and data access as well as confidentiality concerns. Executive Board actions on those issues will be presented below.

10. The level of data collection by country within each region varies by frequency of data collection, coverage of the country and scope of outlets. The Global Office and the regional coordinators agreed upon a set of criteria a country must meet in order to be included in the regional and global comparisons. Those requirements will also be reviewed under Executive Board actions.

11. The Global Office led the preparation of specifications for health, housing, government, construction and equipment. They have been finalized, and data collection forms have been prepared. The ring product list of 950 consumption items has been finalized in close cooperation with the regional coordinators.

12. The regions plan to publish PPPs in stages, starting with preliminary estimates for consumption in the third and fourth quarters of 2006 and followed by PPPs at the gross domestic product (GDP) level in subsequent quarters. The preliminary PPPs and volume indices will be based on expenditure weights drawn from earlier years and the estimated 2005 GDP. Final PPPs and other measures will be published later in 2007 when final GDP data become available. Preliminary and final global PPPs will also be published using the ring data and following the regional time tables.

13. The full "tool pack" processing system is being used in all Western Asian countries and in 16 of the Asian countries. An additional six Asian countries are using the data processing module to calculate average prices and submit them to the regional coordinator. The Latin American countries are sending price data to the regional coordinator, where they are uploaded into the module for subsequent processing. Both the African Development Bank and the Commonwealth of Independent States (CIS) face security policies that do not allow the tool pack to be installed on their networks owing to the use of the Microsoft Internet Information Server. The African region developed separate software for use at the country level. They are, however, using the module for purchasing power parity calculations. The CIS is using software from the Eurostat/OECD comparison programme. The full tool pack system is being supported for those using it. In addition, the Global Office is moving the module to the Microsoft Windows platform so that Africa and the Commonwealth of Independent States can benefit from having a database and from using it for calculation of indices.

14. The global programme still faces a funding shortfall of about 1 million United States dollars ($) to carry the programme to completion at the end of 2007. Half of that amount is needed in the first half of 2006 to support the final data collection for construction, equipment and the ring programme. The regions have been advised to move forward with their workplans, assuming the support will become available.

15. The following section summarizes issues presented to the Executive Board and their actions. The Commission is invited to provide input on those issues.

III. Executive Board actions

A. Requirements for inclusion in regional and global comparisons

16. The Executive Board of the International Comparison Programme expressed broad agreement that minimum requirements must be met for inclusion in the publication of the results. The basic requirements are as follows:

(a) National annual prices and diagnostic variables based on at least two data collections are required except where a single collection (e.g. housing) is suitable. Collection can be limited to major cities if data are available to extrapolate prices to national levels;

(b) Average prices must reflect purchases across all types of outlets to provide representative national prices;

(c) National level expenditure weights will be furnished for the 155 basic headings;

(d) Countries are to be engaged in the regional data review process. At present, countries are committed to data reflecting their purchasing power parities and per capita indices being published at the same level of detail within the region.

B. Data access issues: Global Office

17. The Global Office expects to receive country-level average prices and related diagnostic variables from the regions after each data collection, followed by the final national annual average prices. That information is required to ensure consistent methods and procedures are being followed across the regions during data collection and to prepare the global report. The Board endorsed that position and directed the Global Office to provide supporting material to the regions about how the data will be used and confidentiality maintained.

18. The Global Office pointed out difficulties it encountered in preparing the ring list, and it also indicated that countries would be expected to provide supporting information with the individual price observations. The individual prices and supporting comments will need to be compared across regions, which led the Global Office to request submission of individual prices for the ring collection. The Board approved that recommendation with instructions to consider whether the Global Office could access country level individual prices without actually holding the data. The data would be used only for data analysis by the Global Office.

C. Data access in general

19. The Executive Board was supplied with details about World Bank data confidentiality provisions, which are as stringent as those in many national statistical offices. It is recognized that the final database will contain data in greater detail than that to be published. For example, data variability at the basic heading level may be too great for PPPs at that level to be published. While everyone agrees on the need to maintain confidentiality, the challenge is to provide researchers access to the databases on a limited and restrictive basis to expand the boundaries of knowledge and to approve the methods for future rounds. The Board directed the Global Office to form a data access working group with terms of reference directing them to address the preceding issues. The working group will provide its first report by mid-February 2006.

D. Publication of International Comparison Programme results

20. The Board endorsed the plan to publish both preliminary and final PPPs and to publish in stages for consumption and the full GDP. A related issue is the level of detail to be published. The OECD region publishes details for only about 15 aggregates of GDP. Many of the other regions feel their stakeholders will require data in much more detail. While regions will be publishing the results separately, the data will ultimately be combined into a global report, raising the issue of whether to publish at the most detailed level with blank cells for those with a more restrictive policy or to suppress certain regional data. The concern is whether varying levels of detail across regions will raise questions about the data quality of those with the most restrictive publication policies. The Board directed the Global Office to seek a common agreement among the regions on the level of detail to be published.

E. Fixity of regional results in global comparisons

21. The Technical Advisory Group endorsed, and the Executive Board agreed, that the global comparison linking the regions should ensure the ranking of countries and that relative indices resulting from the regional comparisons should be preserved.

F. Funding

22. While there is confidence that the funding shortfall will be resolved to ensure successful completion of the present round, the issue is how to place the programme on a sustainable footing over time and ensure the future of the International Comparison Programme. Input is sought from the Commission on the funding issue, especially as it relates to the following paragraph.

G. Future of the International Comparison Programme

23. Countries and regional coordinators are raising questions about the future of the International Comparison Programme. Owing to the investment in human capital and methodology that has gone into this round, concerns are being expressed that the expertise and experience gained thus far will be lost and will be difficult to

regain if there are no plans to continue the programme. The Board agreed upon a stated goal to continue the Programme beyond the current round with a business model that spreads the work out over time. It also directed the Global Office to begin the evaluation process by providing the framework for it and directed the regional coordinators to carry out an initial self-evaluation, which should be completed by October 2006.

IV. Preparations for remaining price collection activities

A. Construction

24. A new method, "basket of construction components", will be used for comparisons in the construction sector. Data collection will involve collecting prices for 34 construction components within which details will be collected for material, labour and equipment. The price comparisons will be at the component level for the basic headings for residential, non-residential and civil engineering works. Data collection forms have been prepared and sent to the regions. Most regions will collect the data in the first quarter of 2006 but will obtain average prices for 2005. The procedure was endorsed by the Technical Advisory Group as a simpler price collection tool than those currently in use.

B. Equipment

25. The Global Office provided generic global structured product definitions which the regions used to identify models and specifications for equipment that is available in their countries. The Global Office has also prepared a core international list of equipment goods for the ring comparison. The list has been designed to minimize extra data collection by the ring countries. The Global Office prepared forms for the data collection to take place in 2006 using retrospective pricing to obtain average prices for 2005.

C. Housing

26. The issue is that it is not possible or feasible to collect rental data in many countries. The Technical Advisory Group is finalizing procedures to obtain detailed data underlying the national accounts, including numbers of dwellings classified by size, locality and region, numbers of facilities for both modern and traditional housing and the respective imputed rents.

D. Government occupations

27. The specifications for occupations used in the Eurostat/OECD and ICP comparisons were last updated in 1988 by the International Labour Organization (ILO). The Global Office, Eurostat and the OECD worked jointly with ILO to update the specifications to be used for the present round of the Programme.

E. Ring comparison

28. The countries included in the Ring comparison are the same as those published in the previous report to the Commission (E/CN.3/2005/7). A ring product list containing 950 consumption items has been developed with considerable effort and input from the regional offices and ring countries. The regional lists were originally developed independently without much concern about specifications used in other regions. While it was possible to find similar products among regions, it was necessary to harmonize the terminology defining the products. The end result was a list of products described in a consistent manner and with corresponding images. A catalogue was prepared, and data collection forms and survey guidelines were also developed. Owing to the harmonization of the product descriptions, the ring countries will be asked to price as many of the items as possible rather than trying to find overlap in their regional lists. Data collection will take place in 2006.

F. International Comparison Programme handbook

29. The handbook now has 14 chapters describing the methodology underpinning the current round of the International Comparison Programme. Recent additions include descriptions of the methodology to aggregate from basic headings to the GDP and of the ways in which the regions will be linked at the basic heading level. A chapter is under development on how to link the aggregated results across regions. Chapters 1-6 are being reviewed and updated.

G. Advocacy and access to information

30. One of the guiding principles for this round of the Programme is to ensure that everyone involved and interested has complete access to all relevant information. The ICP website is updated on a regular basis. It contains the background and research material that set the stage for the current round along with the papers concerning the new methodology being implemented. In addition, it contains the up-to-date chapters of the ICP handbook and complete summaries of the deliberations of the ICP Executive Board, the Technical Advisory Group and the meetings of the regional coordinators. The website is currently undergoing a revision to make it easier to access information.

31. The International Comparison Programme newsletter is published quarterly. It features work in progress regarding the development of methods and procedures, background information about issues coming from ICP experts, regional status reports and a calendar of coming events.

32. The growing interest in the current round has led the Global Office to organize sessions about the Programme at statistical conferences. In 2005, major sessions were organized for the biennial session of the International Statistical Institute and the fourteenth Conference of Commonwealth Statisticians. Both sessions included papers by experts on topics ranging from the statistical capacity-building aspects of the Programme to the development of poverty-specific PPPs.

V. Regional status reports

33. A total of 104 countries are included at some level in the ICP round. The inclusion of the Eurostat/OECD region in the ring comparison and global results brings the total to 147 countries (see appendix). Details about each region are presented below.

A. Asia and the Pacific

34. Twenty-three countries in the region are participating in the International Comparison Programme. All of them started price collection surveys by April 2005. By July of 2005, 22 countries had surveyed the full consumption basket. Twenty-one countries computed average prices for the first quarter. Seventeen countries will submit prices with a rural/urban dimension. Data review workshops for the first and second quarters have been held in the region. Twenty countries have submitted GDP weights ranging from 2002 to 2004. All but one country will be participating at the full GDP level. All countries in the region are using the tool pack. The Pacific island countries have been collecting data that will enable them to compute purchasing power parities for consumption. Those data will then be linked to the overall Asian comparison.

B. Africa

35. Fifty-one countries are participating in the International Comparison Programme. Forty-three of them have conducted pilot surveys so far and 41 have met the requirements for full participation in the Programme. Regional workshops were held to train country staff on data quality. Two rounds of data review workshops have been completed. The region plans to calculate annual national average prices and compute PPPs for the reference years 2005 and 2006, using monthly data collected from July 2005 to June 2006. The tool pack is not being used in Africa at the country level, but its data processing module is used by the African Development Bank to generate Quaranta tables. For the processing of price surveys, the African Development Bank is using its own software called SEMPER.

C. Commonwealth of Independent States

36. Eleven countries are participating in the International Comparison Programme. Uzbekistan has dropped out of the programme. Price surveys for the 2005 Programme began in the CIS in January 2005. Georgia, the Republic of Moldova and Turkmenistan started price surveys in March 2005. In three Commonwealth countries (Azerbaijan, Russian Federation and Ukraine) prices are being collected in capital cities only. In the other Commonwealth countries, prices are being collected in capital cities and in large regions. All CIS countries take own consumption into account in the preparation of average prices. The region has reviewed 2004 data but has not yet held a data review workshop for 2005. Data collection for investment goods is also under way. The region is using the Eurostat system instead of the tool pack.

D. Eurostat and Organization for Economic Cooperation and Development

37. The region conducts its own comparison programme independently of the International Comparison Programme, and there are 43 countries in their jurisdiction. The second consumer price survey for 2005 will be completed in December 2005. All other data collection for the 2005 reference year has been completed. The region is a full participant in the ICP ring comparison. The ring countries under the coordination of the Office for National Statistics of the United Kingdom of Great Britain and Northern Ireland have conducted pre-surveys of the draft ring list.

E. Latin America

38. Ten countries are participating in the International Comparison Programme. All of them have been collecting data since the first quarter of 2005 and will be preparing PPPs at the full GDP level. The coverage is urban in all countries. Data collection occurs during a 4-6 week period each quarter. The region has been conducting quarterly data review workshops on a regular basis. The tool pack is being used in one country and in the regional coordinating office (Statistics Canada).

F. Western Asia

39. Eleven countries are participating in the International Comparison Programme. Data collection took place during the first quarter in nine countries, with two more beginning in the second quarter. United Arab Emirates has dropped out of the Programme. The region expects to continue data collection into 2006. All participating countries have submitted data to the regional office for review. One data review workshop has been held, and a second one is scheduled for December to review second quarter data. The region is using the tool pack in full.

VI. Points for discussion

40. **The Commission is requested to review progress and comment on planned activities. In particular, comments are welcomed on publication plans, data access issues and the future of the International Comparison Programme.**

Appendix

Countries and areas participating in the International Comparison Programme, 2003-2006

	Africa	*Latin America*	*Asia and the Pacific*	*Commonwealth of Independent States*	*Western Asia*	*Eurostat – OECD PPP Programme*
1	Algeria	Argentina	Bangladesh	Armenia	Bahrain	Australia
2	Angola	Bolivia	Bhutan[b]	Azerbaijan	Egypt[c]	Austria
3	Benin	Brazil	Brunei Darussalam	Belarus	Jordan	Belgium
4	Botswana	Chile	Cambodia[b]	Georgia	Iraq	Bulgaria
5	Burkina Faso	Colombia	China	Kazakhstan	Kuwait	Canada
6	Cameroon	Ecuador	Hong Kong, China	Kyrgyzstan	Lebanon	Croatia
7	Cape Verde	Paraguay	India	Republic of Moldova	Oman	Cyprus
8	Central African Republic[a]	Peru	Indonesia	Russian Federation[c]	Qatar	Czech Republic
9	Chad[a]	Uruguay	Iran (Islamic Republic of)	Tajikistan	Saudi Arabia	Denmark
10	Comoros	Venezuela (Bolivarian Republic of)	Fiji[b]	Turkmenistan	Syrian Arab Republic	Estonia
11	Congo		Lao People's Democratic Republic[b]	Ukraine[c]	Yemen[b]	Finland
12	Democratic Republic of the Congo[a]		Malaysia			France
13	Djibouti		Nepal			Germany
14	Egypt[c]		Pakistan			Greece
15	Equatorial Guinea		Philippines			Hungary

	Africa	Latin America	Asia and the Pacific	Commonwealth of Independent States	Western Asia	Eurostat — OECD PPP Programme
16	Ethiopia		Singapore			Iceland
17	Gabon		Sri Lanka			Ireland
18	Gambia		Taiwan, Province of China			Israel
19	Ghana		Thailand			Italy
20	Guinea[b]		Viet Nam			Japan
21	Guinea-Bissau[a]					Latvia
22	Kenya					Lithuania
23	Lesotho[b]					Luxembourg
24	Liberia[a]					Malta
25	Madagascar					Mexico
26	Malawi					Netherlands
27	Mali					New Zealand
28	Mauritania[b]					Norway
29	Mauritius					Poland
30	Morocco					Portugal
31	Mozambique					Republic of Korea
32	Namibia					Romania
33	Niger[b]					Russian Federation[c]
34	Nigeria					Slovak Republic
35	Rwanda					Slovenia
36	Sao Tome and Principe					Spain
37	Senegal					Sweden

	Africa	*Latin America*	*Asia and the Pacific*	*Commonwealth of Independent States*	*Western Asia*	*Eurostat — OECD PPP Programme*
38	Seychelles					Switzerland
39	Sierra Leone					The former Yugoslav Republic of Macedonia
40	South Africa					Turkey
41	Sudan[b]					Ukraine[c]
42	Swaziland					United Kingdom
43	Togo[b]					United States of America
44	Tunisia					
45	Uganda					
46	United Republic of Tanzania					
47	Zambia					
48	Zimbabwe					
	Total (147)	**51**	**10**	**23**	**11**	**11**	**43**

[a] Countries participating on trial basis.
[b] Countries participating in consumption surveys only.
[c] Egypt, Russian Federation and Ukraine are counted on two lists.

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Items for discussion and decision: environmental accounting

Environmental accounting

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-sixth session.[*] it presents the conclusions of the preliminary meeting of the Committee of Experts on Environmental-Economic Accounting. It reviews the Committee's long-term objectives, programme of work and governance structure. Points for discussion are provided in paragraph 32.

[*] *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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I. Introduction

1. At its thirty-sixth session, in March 2005, the Statistical Commission endorsed the proposal of the creation of a Committee of Experts on Environmental-Economic Accounting. In particular, the Commission:

(a) Endorsed the creation of a Committee on Environmental-Economic Accounting and noted that the Committee should be regarded as having a programme of work with a long-term perspective;

(b) Recognized the potential of the Committee to mainstream environmental accounting;

(c) Expressed its appreciation for the good work being carried out by the London Group on Environmental Accounting and reconfirmed its role as an expert body in charge of methodological issues, which would support the work of the Committee;

(d) Noted the complementarities of the Committee on Environmental-Economic Accounting and the Intersecretariat Working Group on Environment Statistics;

(e) Requested that the terms of reference of the Committee be prepared and submitted to the Bureau of the Commission for its approval, taking into consideration the terms of reference of the London Group and the Intersecretariat Working Group on Environment Statistics so as to avoid overlap and ensure close collaboration mechanisms among the three main groups;

(f) Stressed the importance of promoting environmental accounting in the user community and taking on board users' needs;

(g) Recognized the need for assisting countries in the implementation of environmental-economic accounting through the development of detailed compilation manuals and coordinated technical assistance programmes;

(h) Stressed the need for those developments to proceed in parallel with the improvement of environment statistics.

2. The United Nations Statistics Division organized a preliminary meeting of the Committee of Experts on Environmental-Economic Accounting in New York from 29 to 31 August 2005. At the meeting, participants agreed on terms of reference for the Committee, formulated its long-term objectives, developed its programme of work, and agreed on its governance. The terms of reference for the Committee were approved by the Bureau of the Statistical Commission in November 2005 and are contained in the annex.

3. The present report summarizes the conclusions of the preliminary meeting and requests the Statistical Commission's view on the role and future work of the Committee. Points for discussion are provided in paragraph 32.

II. Objectives and programme of work of the Committee

4. At its preliminary meeting, the Committee agreed on its overall objectives, namely: (a) to mainstream environmental-economic accounting and related statistics, (b) to elevate the *System of Integrated Environmental and Economic Accounting* (SEEA) to an international statistical standard,[1] and (c) to advance the implementation of SEEA at the global level.

5. In order to achieve the above objectives, five components for the programme of work of the Committee have been identified: coordination; promotion of the accounts; implementation of SEEA; methodological research; and harmonization of data collection activities with environmental-economic accounting concepts and definitions. The different components of the programme of work are discussed below.

A. Coordination

6. The Committee should foster coordination, integration and complementarity of programmes in environmental-economic accounting and related statistics among international agencies and countries. Leadership, a single focal point and a coordinated vision among international agencies active in the field of environment are considered necessary to raise the profile of environmental-economic accounting and related statistics.

7. The Committee, within its mandate, has an umbrella function in coordinating and providing vision, direction and prioritization to ensure that existing groups work in complementary fashion. Those groups include the London Group on Environmental Accounting, the Oslo Group on Energy Statistics, the Intersecretariat Working Group on Environment Statistics and the Intersecretariat Working Group on Energy Statistics and other expert groups that may be established within the scope of the Committee's mandate.

B. Promotion of the accounts

8. Environmental-economic accounting and related statistics are relatively new areas of statistics. The Statistical Commission has underscored the need to raise awareness of the uses of the accounts through the promotion of environmental-economic analysis and to formulate international priorities based on user needs. To that end, the Committee should promote compilation, harmonization and dissemination practices for environmental-economic accounting and related statistics in order to meet user needs. Among others, closer links should be fostered between the accounts and indicators, including links with sustainable development indicators, Millennium Development Goals indicators and indicators used in poverty reduction strategy papers.

9. User-producer dialogues would be organized to advance the implementation, dissemination and use of environmental-economic accounts as part of national statistical programmes.

C. Implementation of SEEA

10. The Committee would advance the implementation of SEEA 2003 in countries, starting from a set of simplified, standard tables and working towards more complex and data demanding tables. The Committee would foster exchanges of best practices in environmental-economic accounting among countries with experience in the area, focusing not only on the compilation of the accounts but also on their uses in policymaking.

11. The Committee would maintain close communication and collaboration with the regional commissions and other regional bodies in order to further the implementation and promotion of SEEA in the various regions.

12. In order to assess the current status of international and national implementation of environmental-economic accounting and related statistics, priorities and future plans, a scope and compliance survey would be developed under the aegis of the Committee and sent to all countries and international organizations.

D. Methodological research

13. SEEA 2003 has been issued as a handbook of national accounting in a white cover format and will be published by the United Nations, the European Commission, the International Monetary Fund, the Organization for Economic Cooperation and Development and the World Bank. It represents a major step forward in the harmonization of concepts and methods in environmental-economic accounting. In the light of that achievement, the Committee endorsed the update of SEEA 2003 to allow its release as an international standard by 2010. It stressed the importance of linking the release of SEEA with the release of other international standards, such as the updated 1993 SNA and the revised *Balance of Payments Manual*, which will be issued in 2008.

14. The Committee would develop a programme of research focusing on refining and clarifying those issues that would permit elevating it to the level of a statistical standard, as well as a longer-term research agenda covering those issues that are considered important but will not be resolved before 2010.

15. The Committee would prioritize the issues, identify working groups to resolve them (including the London Group on Environmental Accounting, the Oslo Group on Energy Statistics, the Intersecretariat Working Group on Environment Statistics, the Intersecretariat Working Group on Energy Statistics, electronic discussion groups and other expert groups), monitor progress of the working groups, review their recommendations and report to the Statistical Commission on the proposed solutions.

16. Elevating SEEA to the level of an international statistical standard would imply an agreement on a framework of definitions, classifications, accounts and tables to be compiled at the global level. A quality assessment framework, based on quality frameworks for other statistical standards, such as the 1993 SNA and the *Balance of Payments Manual*, fifth edition, could be developed for SEEA. Quality frameworks include the integrity and methodological soundness of the framework of

accounts and tables, classifications, concepts and documentation of data sources (metadata).

E. Harmonization of data-collection activities with environmental-economic accounting concepts and definitions

17. To date, environment statistics and accounting have developed along separate tracks. Methodological advances and experience in implementation suggest the need to bring environment statistics closer to the concepts, definitions and classifications of environmental-economic accounting. Harmonizing environment statistics and environmental-economic accounting concepts, definitions and classifications would introduce statistical checks and balances in the data and produce consistent data systems from individual sets of environment statistics across time and countries. The consistency of the environmental and economic information of SNA add considerable value to both the environmental and economic information and improve the quality of both statistics.

18. The Committee would establish a programme of work that identifies differences and similarities between the environment statistics questionnaires and the accounting tables and devise a strategy to bring data collection into line with accounting concepts and definitions. A minimum set of standard tables would be designed and applied to as many countries as possible. In addition, more detailed tables should be developed for countries in more advanced stages of development of environment statistics and accounting. Where the accounting concepts differ from environment statistics concepts, supplementary tables for data collection should be developed.

19. The Committee would develop a joint work programme with the Intersecretariat Working Group on Environment Statistics and the Intersecretariat Working Group on Energy Statistics to further the harmonization of data-collection activities with environmental accounting concept and definitions.

III. Governance structure

20. The Committee would report to the Statistical Commission on an annual basis. It would report progress made in its activities, including progress made by the various city groups, intersecretariat working groups and other groups working with the Committee within its mandate.

21. The Committee would develop and approve a long-term programme and annual work programme that reflect its ongoing priorities and objectives. In its activities, the Committee would seek support of existing groups (the London Group on Environmental Accounting, the Intersecretariat Working Group on Environment Statistics, the Oslo Group on Energy Statistics and the Intersecretariat Working Group on Energy Statistics etc.). In addition, technical expert groups, including electronic discussion groups, should be created under the aegis of the Committee, as needed. Such groups would be given detailed terms of reference, an agreed timetable for delivering outputs and a Chair responsible for monitoring discussions and submitting written contributions to the Committee.

22. To ensure proper dissemination of the activities and transparency in the implementation of the programme of work of the Committee, the United Nations Statistics Division would develop over time a website that would serve as a knowledge management platform on environmental-economic accounting and related statistics for the dissemination and sharing of information (good practices, methodologies, training material, case studies etc.). It would contain all documents for discussion at the meetings of the Committee.

23. A newsletter of the Committee would be developed to ensure wide dissemination and outreach to the broader user community.

Composition

24. High-level institutional representation would be necessary to ensure the strategic role of the Committee in setting priorities, bringing forward a research agenda, taking decisions on standards and developing strategic visions.

25. Members of the Committee would comprise high-level experts who work for national Governments and international organizations and possess a broad range of experience in statistics and the use of the accounts. Also, members would be selected so as to ensure equitable regional representation.

26. Given the wide range of topics covered by the Committee and the need to keep the Committee of a manageable size so as to ensure in-depth discussion, the Committee would initially comprise 25 countries/organizations, with a maximum representation of two experts per country.

27. Members would be named to the Committee for an initial period of three years, which could be renewed.

Chair

28. The Committee would elect a Chair from among its members for a period of three years, renewable for one term. The role of the Chair would be to develop, in close cooperation with the Secretariat, an annual work programme for the Committee; monitor progress of the various components of the programme; and set the agenda for the next meeting. Walter Radermacher, Vice-President of the Federal Statistical Office of Germany, was elected Chair of the Committee during its preliminary meeting.

Secretariat

29. The permanent secretariat of the Committee would be the United Nations Statistics Division. The Division would provide the day-to-day management and coordination and undertake all internal and external communication. In cooperation with the Chair, the Division would coordinate, monitor and report on the activities of the technical expert groups, organize meetings, develop the agenda for meetings, maintain the Committee website and issue its newsletter.

Periodicity of Committee meetings

30. The Committee would have a face-to-face meeting once a year. In special circumstances, ad hoc face-to-face meetings could be organized. The meetings will be organized back-to-back with other meetings that are likely to be attended by

high-level representatives of countries/organizations. In between meetings, electronic discussions would be the preferred method of consultation.

Financing

31. In order to support the activities of the Committee and its smooth and efficient operation, external funding would have to be secured in order to support the Secretariat of the Committee. The United Nations Statistics Division would take the lead in securing funds and would create a trust fund.

IV. Points for discussion

32. **The Commission may wish to express its views on the role and future work of the Committee of Experts on Environmental-Economic Accounting.**

Notes

The term "international statistical standard" implies an agreement on a framework of definitions, classifications, accounts and tables to be compiled at the global level.

Annex

Terms of reference of the Committee of Experts on Environmental-Economic Accounting

1. The Committee of Experts on Environmental-Economic Accounting was established by the Statistical Commission at its thirty-sixth session, in March 2005. Its overall objectives are: (a) to mainstream environmental-economic accounting and related statistics; (b) to elevate the *System of Integrated Environmental and Economic Accounting* (SEEA) to an international statistical standard; and (c) to advance the implementation of the SEEA in countries. To achieve these objectives, the Committee's programme of work will focus on the following:

(a) Ensure coordination, integration and complementarity among programmes in environmental-economic accounting and related statistics among international organizations and countries;

(b) Encourage the use of environmental-economic accounting in countries in support of decision-making through technical recommendations on the compilation, harmonization and dissemination of the accounts, linking the accounts to indicators and developing a closer relationship between the users and producers of environmental-economic accounts and related statistics;

(c) Further methodologies in environmental-economic accounting and statistics through identifying and prioritizing issues that need to be addressed, establishing appropriate mechanisms to address those issues, monitoring progress made, reviewing proposed solution and submitting recommendations to the Statistical Commission for approval;

(d) Advance the implementation of SEEA in developed and developing countries;

(e) Work towards the harmonization of data-collection activities of environment and related statistics with concepts and definitions of environmental-economic accounting, including the assurance of data quality.

2. The Committee will bring to the attention of the United Nations Statistics Division and the Statistical Commission any new developments that impact the compilation of environmental-economic accounting and work on developing standards and, whenever that is not possible, best practices.

3. The Committee has an umbrella function in providing overall vision, coordination, prioritization and direction in the field of environmental-economic accounting and related statistics. The Committee will ensure that existing or new groups working in environmental accounting and related statistics will work in a complementary fashion with the Committee.

4. The selected members of the Committee comprise high-level experts from national Governments and international organizations with a broad range of experience in statistics and in the uses of environmental-economic accounts. Members would also be selected so as to ensure equitable regional representation.

5. The Committee will elect a Chair, who will serve for a three-year-period, renewable once for an additional three years.

6. The United Nations Statistics Division will serve as the permanent secretariat of the Committee. It will provide the day-to-day management and coordination and undertake all internal and external communication on behalf of the Committee. In cooperation with the Chair, the secretariat will coordinate, monitor and report on the activities of the various expert groups, organize meetings, develop the agenda for the meetings, maintain the Committee website and issue a newsletter.

7. The Committee will prepare an annual report for submission to the Statistical Commission. It will report progress made in its activities, including progress made by the various city groups, intersecretariat working groups and other groups working with the Committee, within its mandate.